56003-2-U A

1859

STATE OF OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 1986

State Capitol, Salem, Oregon

STATE OF OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ending June, 30, 1986

Victor Atiyeh
Governor of Oregon

Executive Department
Jon Yunker, Director

Report Prepared by
Accounting Division
Neal R. Fisher C.P.A.,
Administrator

Sharon D. Olson, C.P.A.
David Salsbery, C.P.A.
Michael Quint, C.P.A.

Acknowledgements

Executive Department Accounting Division - Support Staff

Lorraine Miller - Report Preparation
Julie Hittle - Coordinate processing, design, photos and distribution
Gertie Hogan - Word Processing
Leah Greer - Clerical Support

Special appreciation is given to all fiscal personnel throughout the State whose extra effort to contribute accurate, timely financial data for their agency that made this report possible.

Department of Transportation, Highway Division -

Graphic Design

Photos courtesy Department of Transportation and Economic Development Department

CONTENTS

STATE OF OREGON
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1986

TABLE OF CONTENTS

Page

Introductory Section

Letter of Transmittal 1
Organization of State Government 4
State Program Areas 8
State Budgetary Process 10

Financial Section

Accountant's Report 11

General Purpose Financial Statements

Combined Balance Sheet - All Fund Types and Account Groups 13
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All Governmental Fund Types and Expendable Trust Funds 15
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Funds 17
Combined Statement of Changes in Financial Position - All Proprietary Fund Types and Similar Trust Funds 19
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All College and University Funds 21
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Fund Types 22

Notes to Financial Statements 28

Combining and Individual Fund and Account Group Statements and Schedules
Combining Statements - Governmental Fund Types
- General Fund 56
- Special Revenue Funds 61
- Debt Service Funds 66
- Capital Project Funds 71

Combining Statements - Proprietary Fund Types
- Enterprise Funds 76
- Internal Service Funds 84

Combining Statements - Fiduciary Fund Types
- Trust and Agency Funds 92

Combining Statements - College and University Funds 100
Schedule of General Fixed Assets 105
Schedule of General Long-Term Debt 106

Statistical Section
- Redistributions of Revenue 107
- Historical Statement of Budgetary Revenues 108
- Historical Statement of Budgetary Expenditures 109
- Analysis of Bonded Debt 110

The State's Economy 115

Mt. Hood Meadows Ski Area, Hood River County

INTRODUCTION

Mt. Hood, Multnomah County

LETTER OF TRANSMITTAL

VICTOR ATIYEH
GOVERNOR

Executive Department
155 COTTAGE STREET NE., SALEM, OREGON 97310

October 31, 1986

THE HONORABLE VICTOR ATIYEH
GOVERNOR OF THE STATE OF OREGON
STATE CAPITOL
SALEM, OR 97310

The Comprehensive Annual Financial Report of the State of Oregon, for the fiscal year ended June 30, 1986, is submitted herewith. The report was prepared by the Accounting Division of the Executive Department in accordance with ORS 291.040. We believe the data, as presented, are accurate in all material aspects; that they are presented in a manner to reflect the financial position and results of operations of the State in accordance with generally accepted accounting principles; and that all disclosures necessary to enable the reader to gain an understanding of the State's financial affairs have been included.

The financial statements include the financial activity of all state agencies. They include the activities of the State Accident Insurance Corporation which is a public corporation. The Department of Higher Education is shown as a separate discrete activity.

The results of an improved economic condition in the State of Oregon are reflected in the change in status of the General Fund. That Fund is supported primarily by taxes and business licenses and fees which are considered a measure of the economic change during the past year. Income taxes, the largest General Fund revenue, increased from $1,325 million in the prior year to $1,472 million in the year ended June 30, 1986. This represents approximately an 11% increase. The fund equity of the General Fund increased from $102 million to $232 million during the year.

The governmental fund types as represented in the combined statements reflect the general operations of State government. An analysis of these funds shows the following:

The actual revenue for the governmental fund types is shown by source in the following schedule. Total governmental fund type revenue of $3,355 million compares with revenue of $3,063 million in the prior fiscal year. That represents an increase of $292 million or 9.5%. The greatest increase was an increase of $213 million or 11.9% in tax revenue. Federal revenue increased by $28 million or approximately 3%.

	Year ended June 30, 1986	
	Amount in millions	Percent
Taxes	$2,002	59.65%
Federal Funds	958	28.56
Charges for Service	80	2.39
Licenses and Fees	151	4.49
Interest	53	1.58
Other	111	3.33
	$3,355	100.00%

The following schedules show the expenditures for governmental fund types. The total expenditures of $3,037 million compares with expenditures of $2,904 million in the prior year, an increase of $133 million or approximately 4.6%. Of that increase $40 million was in the special payment expenditure category. Special payments mainly represent moneys returned to local governments or to benefit individuals. A complete summary of the special payments from all sources is shown in the Statistical and Economic Information Section of the report.

Expenditures from governmental fund types by program area were:

	Year ended June 30, 1986	
	Amount in millions	Percent
Economic Development	$ 200	6.58%
Education	681	22.43
Human Resources	927	30.53
Natural Resources	131	4.31
Public Safety	71	2.33
Transportation	553	18.21
Administrative & Support	381	12.55
Legislature	11	.36
Judicial	82	2.70
	$3,037	100.00%

Expenditures by budget category were:

	Year ended June 30, 1986	
	Amount	Percent
Personal Services	$ 626	20.62%
Services & Supplies	598	19.69
Capital Outlay	39	1.28
Special Payments	1,741	57.33
Debt Service	33	1.08
	$3,037	100.00%

The individual agencies of the State of Oregon are audited by the Secretary of State's office in accordance with Oregon Law. The audit functions of the Secretary of State's Office have been coordinated with the preparation of the annual financial report for the State and have resulted in the auditors' certification letter enclosed in this report.

We hope that we have provided financial statements which will be valuable to legislators, concerned citizens and investors. Suggestions or comments are always welcome.

Jon Yunker

Jon Yunker
Director

JY:gh:DS
encl.

ORGANIZATION OF STATE GOVERNMENT

General Organization

The government of the State of Oregon is comprised of three separate branches: Executive, Legislative, and Judicial. The Executive Branch which administers state agencies and enforces state laws, is headed by six independently elected officials. These are the Governor, Secretary of State, State Treasurer, Attorney General, Labor Commissioner, and Superintendent of Public Instruction.

The Governor, Secretary of State, and State Treasurer, in addition to performing their individual duties, jointly form the Land Board. The three members of the Board have equal responsibilities and the Governor serves as chairperson.

The Attorney General, Superintendent of Public Instruction, and Labor Commissioner are elected to carry out the particular duties of their respective divisions.

The Executive Branch

The Governor is elected to a four-year term and is limited to serving two terms in any twelve-year period. The present Governor, Victor Atiyeh, assumed office on January 8, 1979. Responsibilities of the Governor, in addition to chairing the Land Board, include planning and recommending a budget to the State Legislature, coordinating activities of state agencies, initiating future state activities, and coordinating services of federal and local governments.

The Governor is empowered to call special sessions of the Legislature and may veto single appropriation items or emergency clauses on legislative bills. He appoints numerous agency heads, board and commission members, and other officials.

The Secretary of State is the auditor of public accounts in the state and is chief elections officer. As auditor, the Secretary of State conducts audits of municipal corporations and audits the accounts and financial affairs of state boards, commissions, departments, and institutions. The Secretary of State also edits, codifies, and publishes Administrative Rules, which supplement laws passed by the Legislature and prescribe the manner in which state agencies conduct their business.

The State Treasurer is responsible for all moneys paid into the State Treasury and, as the State's Investment Officer, invests trust and general funds. The Treasurer also receives and disburses state funds, has custody of securities deposited with the state, and oversees the issuing, paying of interest, and retiring of bonds. The Treasurer is a member of the Oregon Investment Council, the State Land Board, the Local Government Investment Board, the Municipal Debt Advisory Commission, the Public Contract Review Board, and the Oregon Mass Transportation Financing Authority.

The State Land Board was created by the 1967 Legislature to supervise administration of state-owned lands and public rights in submerged and submersible lands. Proceeds from the use of these lands are deposited as principal in the Common School Trust Fund. Interest from the Fund is paid to counties for school operation.

The Legislative Branch

Oregon's Legislative Branch is comprised of a bicameral legislative assembly and its permanent and temporary legislative committees. The Senate has thirty members elected to four-year terms with half elected every two years. The House of Representatives has sixty members, all elected every two years.

The Legislature convenes its regular session in January of each odd-numbered year. The most recent session began January 14, 1985 and ended June 21, 1985. Session length is not prescribed by the Constitution, although it is usually of about six months' duration. The Legislature normally considers between 2,500 and 3,000 bills during a regular session and approximately 25 to 30 percent of these are enacted into law.

Special sessions of the Legislature may be called by the Governor or by a majority of each house to deal with emergency situations. Since 1970, the Legislature has held eleven special sessions which have lasted between one and 37 days. The Legislature has never exercised its right to call itself into special session.

The primary function of the Legislature is to enact laws, to provide a forum for public discussion, and to determine fiscal policy together with the Executive branch. Certain Executive decisions are subject to confirmation by the Legislature. In addition, since 1977, Oregon has had a "sunset" law under which certain agencies and programs are terminated unless their continuation is specifically approved by the Legislature.

The Oregon Constitution, Article IX, Section 6, provides that the state may not budget expenditures in excess of revenues. Therefore, the Legislative and Executive branches must provide a balanced budget. The Legislature reviews and revises the Governor's recommended budget and passes appropriation measures to provide revenues. Because the Legislature convenes biennially, the finances of the state are managed on a biennial basis. However, state law now requires that the Executive Department prepare a financial report of state operations at the end of each fiscal year. The first such report was prepared as of June 30, 1979.

Of significant importance in the Legislative branch is the Emergency Board, a joint legislative committee created by statute. The seventeen-member Emergency Board consists of the President of the Senate, Speaker of the House of Representatives, Co-Chairpersons of the Joint Ways and Means Committee, six other Senate members and seven other House members. The Emergency Board, which may schedule its own meetings, usually meets once each month during the interim between regular sessions.

Where an emergency exists, the Emergency Board may allocate to any state agency out of funds appropriated to the Board for that purpose, moneys in addition to those allocated by the Legislature. The Board may take other actions to meet emergency interim needs such as providing funding for an activity required by law, authorizing expenditures from dedicated or continuously appropriated funds, and approving funding for a new activity coming into existence at a time which would preclude submitting of a budget to the Legislature.

In addition, the Legislature has a variety of statutory and interim committees that function throughout the biennium. Principal statutory committees include: Legislative Counsel Committee, Legislative Administration Committee, Land Use Committee, Data Processing Committee, Senate Executive Appointment Committee, Joint Committee on Water Policy and Trade and Economic Development. The major interim committees are the Joint Interim Revenue Committee, Joint Interim Judiciary Committee, Interim Committee on Sunset Review, House Interim Committees, and Senate Interim Task Forces.

The Judicial Branch

The Judicial Branch consists of the Supreme Court, the Court of Appeals, the Tax Court, and Circuit and District Courts. The seven-justice Supreme Court was created and its jurisdiction defined by the Constitution. The Supreme Court has discretionary review of decisions of the Court of Appeals.

A five-judge Court of Appeals was created by the Legislature in 1969, expanded to six judges in 1973 and expanded to ten judges in 1977. The Court of Appeals has exclusive jurisdiction over all civil and criminal appeals from circuit and district courts and review of orders of state administrative agencies, Corrections Division disciplinary actions, and Board of Parole orders.

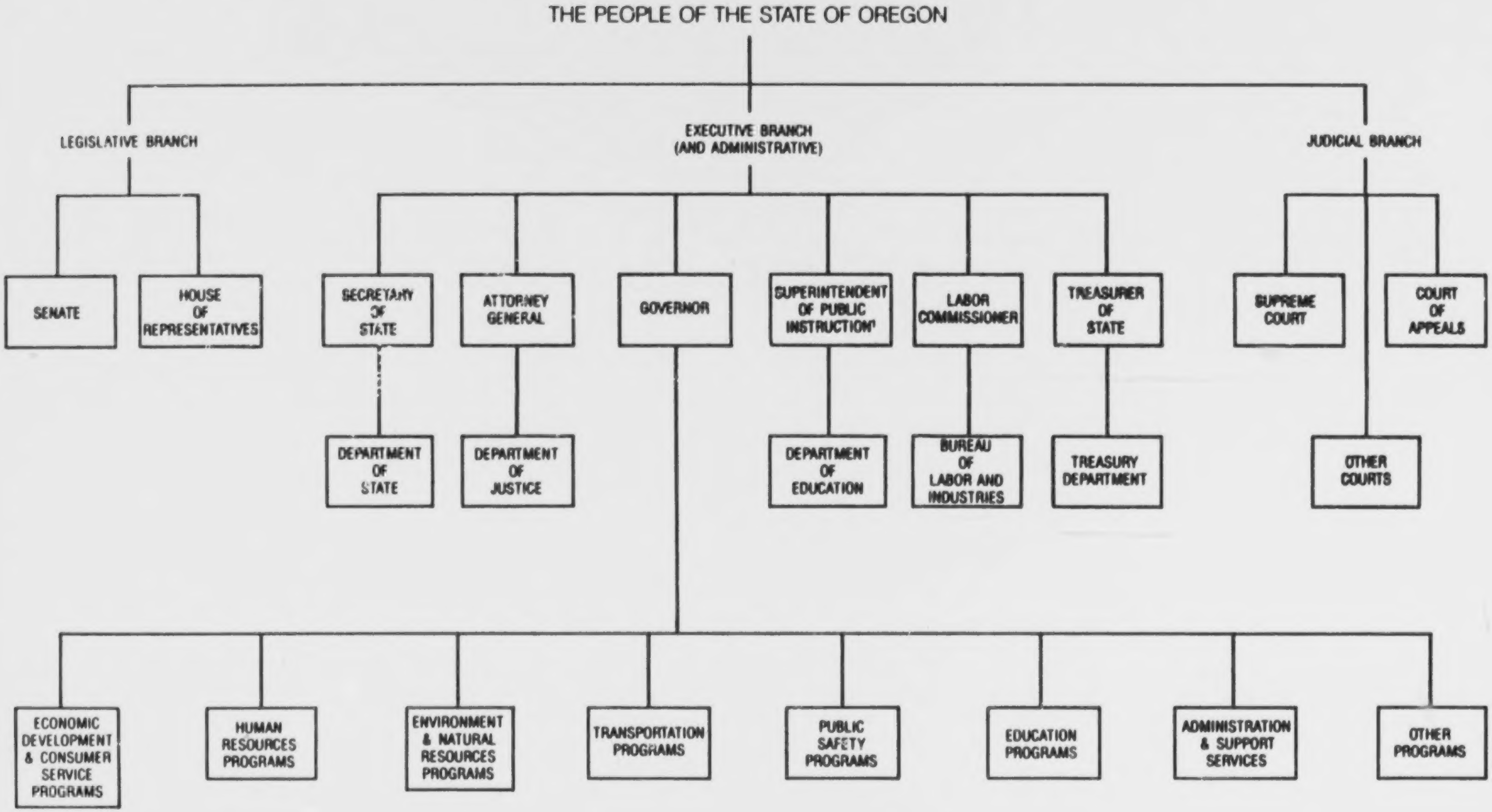
The one-judge Tax Court, created by the 1961 Legislature, has exclusive jurisdiction over tax-related matters. The Circuit Court is the state trial court of general jurisdiction, and the District Court is the trial court of limited jurisdiction.

All judges are elected to six-year terms on a non-partisan ballot. The Chief Justice exercises administrative authority over the courts of Oregon.

Exhibit 1 summarizes the organization of state government in Oregon.

EXHIBIT 1

STATE OF OREGON
ORGANIZATION OF GOVERNMENT


THE PEOPLE OF THE STATE OF OREGON
LEGISLATIVE BRANCH
EXECUTIVE BRANCH (AND ADMINISTRATIVE)
JUDICIAL BRANCH
SENATE
HOUSE OF REPRESENTATIVES
SECRETARY OF STATE
ATTORNEY GENERAL
GOVERNOR
SUPERINTENDENT OF PUBLIC INSTRUCTION[1]
LABOR COMMISSIONER
TREASURER OF STATE
SUPREME COURT
COURT OF APPEALS
DEPARTMENT OF STATE
DEPARTMENT OF JUSTICE
DEPARTMENT OF EDUCATION
BUREAU OF LABOR AND INDUSTRIES
TREASURY DEPARTMENT
OTHER COURTS
ECONOMIC DEVELOPMENT & CONSUMER SERVICE PROGRAMS
HUMAN RESOURCES PROGRAMS
ENVIRONMENT & NATURAL RESOURCES PROGRAMS
TRANSPORTATION PROGRAMS
PUBLIC SAFETY PROGRAMS
EDUCATION PROGRAMS
ADMINISTRATION & SUPPORT SERVICES
OTHER PROGRAMS

1 — The Superintendent of Public Instruction reports to the State Board of Education, appointed by the Governor.

☐ SHADING DEPICTS ELECTIVE OFFICES

Source: State of Oregon, Executive Department

STATE PROGRAM AREAS

Economic Development and Consumer Services

The rapid expansion of the Oregon economy since 1970 has resulted in increasing demands for a wide variety of public services related to consumer protection, business regulation and public safety in the commercial sector. These demands have been met through more effective operation of existing programs and through the consolidation of overlapping activities wherever possible. The common elements of the many State agencies in this program are the safety and protection of the Oregon public as consumers and producers, as employes and employers, and as savers and investors. In the area of economic development, a variety of local economic stimulation projects are intended to provide more job opportunities for Oregonians and to generally stimulate Oregon's economy. The Oregon Department of Economic Development is overseen by the Economic Development Commission and is active in international trade, port activities, industrial development incentive programs, and small business assistance.

Education and School Financing

The education program area includes the Department of Education, the Department of Higher Education, and educational support agencies. The Department of Education, acting under the direction of the State Board of Education, exercises all administrative functions of the State relating to supervision, management and control of public, elementary and secondary schools and community colleges. The Department of Higher Education provides direct educational services through the State colleges and universities. The activities of both Departments are coordinated by the Oregon Educational Coordinating Commission.

The Legislature appropriates funds to be distributed to local school districts in support of basic educational programs. The Legislature appropriated $840 million for Basic School Support for the 1981-83 biennium, and $880 million for the 1983-85 biennium. The Governor has proposed $946.7 million for 1985-87.

Human Resources

Human resource agencies offer a variety of social services. Services offered include financial support to needy persons, medical care, protective services, and rehabilitation. Expenditures in these program areas continue to represent approximately 25% of the General Fund budget and 22% of the total state budget.

Natural Resources

The overall goal of the thirteen agencies in this program area is to conserve, develop, and protect the State's natural resources.

Public Safety

The overall goal for the public safety program area is a reduction in the amount of harm to individuals and damage to property caused by events of natural disasters, civil disorders, traffic accidents, criminal activities, and armed conflict. Other major objectives include improvement of criminal prosecution and consumer protection from fraudulent business practices.

Transportation

The transportation program area consists of the Department of Transportation, the Traffic Safety Commission, and the Travel Information Council. The basic goal of the Department of Transportation is to provide the State with systems of transportation which are safe, are environmentally compatible and provide for orderly economic growth. The objective of the Traffic Safety Commission is to promote traffic safety in Oregon through the use of Federal grants to State agencies and local governments. The Travel Information Council develops and maintains a Motorist Information and Sign Plaza Program and promulgates regulations to control on-premise signs and signs in unzoned commercial and industrial areas. Part of its functions were transferred to the Economic Development Department as a result of 1983 legislation.

Administration and Support Services

This program area includes those agencies which provide either executive leadership or administrative and planning support services to line agencies. The state's tax relief programs are included within this program area because they are administered by the Department of Revenue.

Legislative Branch

The Legislative Branch is comprised of the Legislative Assembly and the permanent and temporary legislative committees. The bicameral ninety member Oregon Legislative Assembly convenes in odd-numbered years in regular legislative session. Permanent statutorily established legislative committees provide special staff services to the Legislature. The Legislative Branch also includes the Emergency Board.

Judicial Branch

The judicial program area is comprised of the state supported portion of the Judicial Branch of government to ensure an effective judicial system for the State. On October 24, 1981 a special session of the Legislature was called to provide financing necessary for the state to assume greater responsibility over the administration of district and circuit courts.

STATE BUDGETARY PROCESS

The Oregon budget is approved on a biennial basis by separate appropriation measures. Although the Governor recommends a budget, no omnibus budget measure is approved. Biennia begin July 1 and end June 30 of odd-numbered years. Measures are passed for the approaching biennium during each regular Legislative session, held beginning in January of odd-numbered years. However, the budgeting process begins several months prior to the beginning of a biennium.

The budgeting process begins with the development of a tentative budget as an internal document in the Executive Department. The early budget forecasts three levels of expenditures based upon current law and three levels of expenditure based upon passage of pending ballot measures. Expenditure estimates are based on a range from maintaining present spending to providing for growth of existing programs or expanding programs, all adjusted for inflation. Revenues in the internal budget are also forecast in a range. Oregon law (ORS 291.208) requires each agency to submit budget requests to the Executive Department prior to September 1 of each even-numbered year. During the fall, these budget requests are reviewed and budget hearings are held by the Executive Department and the Governor.

The Governor's budget recommendations to the Legislature must be completed by early November in order to meet the December 1 statutory deadline for distribution of printed copies to the Legislature. Appropriation bills for each agency are prepared separately and filed during December so that when the Legislature convenes in January the Joint Ways and Means Committee can begin consideration of each bill.

Service as staff to the Ways and Means Committee, the Legislative Fiscal Office analyzes each budget. Public hearings are held by Ways and Means subcommittees before the recommended budget bills are referred to the full Legislature for a final vote.

The Governor may veto any bill, but may not veto particular line items, except in appropriation bills. The Governor's veto may be overridden by a two-thirds vote of the Legislature.

Because the Oregon Legislature meets in regular session for approximately six months of each biennium, provision is made for interim funding through the Legislative Emergency Board. The Emergency Board is authorized to make allocations of General Fund moneys to state agencies from the State Emergency Fund. The Emergency Board may also authorize increases in expenditure limitations from Other or Federal Funds, (dedicated or continuously appropriated funds) and may take other actions to meet emergency needs when the Legislature is not in session.

The most significant feature of the budgeting process in Oregon is the constitutional requirement that the budget be in balance at the end of each biennium. Article IX, Section 6 of the Oregon Constitution states that "whenever the expenses, of any fiscal year, shall exceed the income, the Legislative Assembly shall provide for levying a tax, for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing fiscal year." Because of this provision, Oregon may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium.

The biennial budget used in Oregon makes it more difficult to accurately forecast revenues and expenditures than in an annual budget cycle. At the same time, a biennial period allows more time for correction in the event a revenue shortfall occurs.

Yaquina Bay Bridge, Newport, Oregon, Lincoln County

FINANCIAL SECTION

Cape Lookout view from Three Capes Scenic Drive, Tillamook County

GENERAL PURPOSE FINANCIAL STATEMENTS

Columbia River viewed from Columbia River Scenic Highway, Multnomah County

ACCOUNTANT'S REPORT

OFFICE OF THE SECRETARY OF STATE

BARBARA ROBERTS
SECRETARY OF STATE

AUDITS DIVISION
WILLIAM L. MILES
DIRECTOR
112-A LABOR AND INDUSTRIES BUILDING
SALEM, OREGON 97310
(503) 378-3329

HONORABLE VICTOR ATIYEH
GOVERNOR OF OREGON
STATE CAPITOL
SALEM, OR 97310

We have examined the combined financial statements of the State of Oregon, as listed in the foregoing table of contents under the caption General Purpose Financial Statements, as of and for the year ended June 30, 1986. Except as explained in the following paragraphs, our examination was made in accordance with generally accepted auditing standards, and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The General Fund records do not provide an adequate accounting for cash. We were therefore unable to examine sufficient evidence in support of General Fund cash and we were unable to satisfy ourselves by other means or procedures as to the accuracy of the stated amount of $177,850,000 for General Fund cash and $232,113,000 for General Fund fund equity.

Also, because the records do not provide an accounting of outstanding encumbrances for the General Fund we were not able to examine sufficient evidence in support of fund balances - reserved for encumbrances and fund balance - unreserved and we were unable to satisfy ourselves as to the outstanding encumbrances by other means or procedures.

In our opinion, except for the effect of the matters described in the preceding paragraphs, the combined financial statements referred to above present fairly the financial position of the State of Oregon at June 30, 1986, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for changes, with which we concur, as described in Note A.11 to the financial statements.

Our examination was made solely for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining, individual fund and account group financial statements, schedules and accompanying supplemental financial information listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the combined financial statements of the State of Oregon. This information has not been subjected to the auditing procedures applied in the examination of the combined financial statements and, accordingly, we do not express any opinion with regard to its relationship to the combined financial statements taken as a whole. However, we noted that the combining budget comparison statements present information by fund type, rather than by individual fund as required for comprehensive annual financial reports. In addition, the Combining Statement of Changes in Assets and Liabilities - All Agency Funds is presented on a combined basis rather than a functional basis which is the presentation method used for all other combining statements.

The other data included in this report, designated as the statistical section in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

Barbara Roberts
Secretary of State
and
Auditor of Public Accounts

William L. Miles
Certified Public Accountant
and Director
Division of Audits

November 26, 1986

STATE OF OREGON
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Cash and Investments (Note 5,B)	$177,850	$415,476	$25,963	$ (188)
Securities Held in Trust	-	5,229	-	-
Receivables (Note 6)	8,949	144,117	2,400	132
Interfund Receivables (Note K)	37,014	15,679	-	1,358
Inventories (Note 7)	11,128	27,865	-	-
Prepaid and Deferred Charges	17	488	-	-
Contracts, Mortgages, and Notes Receivable	-	80,507	320	130
Advances to Other Funds (Note L)	56,179	980	-	-
Taxes Receivable	161,642	-	-	-
Land, Buildings and Improvements (Note 8, D, E, F)	-	-	-	-
Leasehold Improvements (Note 8, D, E, F)	-	-	-	-
Capital Leases (Note 8, D, E, F)	-	-	-	-
Construction in Process (Note 8, D, E, F)	-	-	-	-
Equipment and Machinery (Note 8, D, E, F)	-	-	-	-
Data Processing Software (Note 8, D, E, F)	-	-	-	-
Allowance for Depreciation (Note 9)	-	-	-	-
Amounts Available for Retirement of L-T Debt	-	-	-	-
Amounts To be Provided for Retirement of L-T Obligations	-	-	-	-
Total Assets	$452,779	$690,341	$28,683	$1,432
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts and Interest Payable	$ 73,117	$176,603	$ 20	$ 201
Interfund Payables (Note K)	36,713	21,871	-	48
Due to Other Governments	5,347	-	-	-
Trust and Agency Funds Payable	-	9,060	-	-
Lease Purchase Contracts Payable	-	-	-	-
Contract, Mortgages, and Notes Payable (Note J)	-	-	-	-
Obligation Under Capital Lease	-	-	-	-
Advances from Other Funds (Note L)	-	-	-	-
Matured Bonds Payable	-	-	156	-
General Obligation Bonds Payable (Note J)	-	-	-	-
Revenue Bonds Payable (Note J)	-	-	-	-
Vacation Payable (Note I)	4,314	4,961	-	-
Deferred Income (Note 10)	101,175	41,838	-	-
Claim Loss Liability (Note N)	-	-	-	-
Total Liabilities	$220,666	$254,333	$ 176	$ 249
Fund Equity				
Contributed Capital	$ -	$ -	$ -	$ -
Reserve for Inventories	11,128	27,865	-	-
Reserve for Revolving Accounts	-	1,658	-	-
Reserve for Receivables	-	74,520	320	130
Reserve for Advances to Other Funds	56,179	980	-	-
Reserve - Other	18	34	-	-
Reserve for Public Employes Retirement System	-	-	-	-
Reserve for Trust Funds	-	-	-	-
Invested in Fixed Assets	-	-	-	-
Retained Earnings - Unreserved	-	-	-	-
Fund Balance - Unreserved	164,788	330,951	28,187	1,053
Total Fund Equity (Note 12)	$232,113	$436,008	$28,507	$1,183
Total Liabilities and Equity	$452,779	$690,341	$28,683	$1,432

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	COLLEGE AND UNIVERSITY FUNDS	ACCOUNT GROUPS		TOTALS (MEMO ONLY) JUNE 30	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY		GEN. FIXED ASSETS	GEN. LONG TERM DEBT	1986	1985
$2,246,649	$ 48,023	$7,961,681	$ 128,163	$ -	$ -	$11,003,617	$ 8,000,746
-	-	680,513	-	-	-	685,742	648,028
218,835	17,096	219,098	56,921	-	-	667,548	602,738
596	8	5,787	21,776	-	-	82,218	161,665
85,852	3,511	47	8,026	-	-	136,429	141,285
39,255	19	-	3,556	-	-	43,335	13,244
5,329,577	-	51,165	64,133	-	-	5,525,832	5,713,797
5,149	1,117	-	-	-	-	63,425	-
-	-	-	-	-	-	161,642	174,922
70,885	70,002	2,583	474,688	343,615	-	961,773	902,930
203	639	-	-	1,080	-	1,922	1,693
336	1,139	-	-	35	-	1,510	2,134
1,204	2,236	-	16,834	12,889	-	33,163	19,303
27,895	64,301	1,268	324,791	210,166	-	628,421	566,242
6	293	-	-	1,139	-	1,438	479
(46,613)	(54,053)	(222)	(36,268)	-	-	(137,156)	(156,912)
-	-	-	-	-	28,507	28,507	30,856
-	-	-	-	-	245,043	245,043	205,019
$7,979,829	$154,331	$8,921,920	$1,062,620	$568,924	$273,550	$20,134,409	$17,028,169
$ 249,747	$ 9,598	$ 16,773	$ 26,342	$ -	$ -	$ 552,401	$ 595,107
17,714	180	5,652	40	-	-	82,218	161,665
-	-	53,372	106	-	-	58,825	74,910
-	-	1,409,553	5,576	-	-	1,424,189	1,359,405
-	8,420	-	-	-	3,627	12,047	6,161
119	16,492	-	1,576	-	2,352	20,539	31,961
378	1,525	-	-	-	148	2,051	4,606
3,431	7,405	10	-	-	52,579	63,425	2,075
4,679	-	-	-	-	-	4,835	6,645
6,034,478	-	-	138,074	-	195,300	6,367,852	5,332,692
511,741	-	-	-	-	-	511,741	708,427
5,165	2,105	206	10,738	-	19,544	47,033	43,271
8,974	256	27,002	11,549	-	-	190,794	390,539
847,392	-	-	-	-	-	847,392	791,609
$7,683,818	$ 45,981	$1,512,568	$ 194,001	$ -	$273,550	$10,185,342	$ 9,839,073
$ 3,707	$ 42,401	$ -	$ -	$ -	$ -	$ 46,108	$ 57,747
-	-	-	-	-	-	38,993	31,009
-	-	-	-	-	-	1,658	1,562
-	-	-	-	-	-	74,970	-
-	-	-	-	-	-	57,159	-
-	-	-	-	-	-	52	38
-	-	147,740	-	-	-	147,740	130,914
-	-	6,907,661	-	-	-	6,907,661	4,758,910
-	-	120	-	568,924	-	569,044	438,417
292,304	65,949	-	-	-	-	358,253	328,228
-	-	353,831	868,619	-	-	1,747,429	1,442,271
$ 296,011	$108,350	$7,409,352	$ 868,619	$568,924	$ -	$ 9,949,067	$ 7,189,096
$7,979,829	$154,331	$8,921,920	$1,062,620	$568,924	$273,550	$20,134,409	$17,028,169

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST
Revenue					
Income Taxes	$1,472,103	$ -	$ -	$ -	$ -
Selective Sales and Use Taxes	66,561	248,528	-	-	-
Gross Receipts Business Taxes	44,461	5,143	-	-	-
Employer-Employe Taxes	-	123,408	-	-	298,309
Inheritance and Gift Taxes	25,937	-	-	-	-
Severance Taxes	1,991	443	-	-	-
Other Taxes	-	13,440	-	-	871
Business Licenses and Fees	5,347	22,583	-	-	-
Nonbusiness Licenses and Fees	11,385	111,584	-	-	-
Federal Revenue	97	957,366	-	965	10,425
Charges for Services	6,194	73,804	-	-	-
Fines and Forfeitures	14,211	1,732	-	-	-
Rents and Royalties	136	3,251	-	1	-
Interest Income	25,212	17,921	9,779	18	25,163
Sales Income	3,024	34,973	-	-	46
Donations and Grants (Nonfederal)	-	5,733	-	14	557
Other Revenue	10,260	38,293	-	-	891
Total Revenue	$1,686,919	$1,658,202	$ 9,779	$ 998	$336,262
Expenditures					
Personal Services	$ 264,939	$ 361,611	$ -	$ 129	$ 33
Services and Supplies	104,552	492,833	-	782	1,287
Capital Outlay	10,357	17,543	-	10,956	6
Special Payments	349,385	1,391,877	-	-	281,042
Debt Service	-	7,619	25,158	-	-
Total Expenditures	$ 729,233	$2,271,483	$ 25,158	$ 11,867	$282,368
Excess (Deficiency) of Revenues Over Expenditures	$ 957,686	$ (613,281)	$(15,379)	$(10,869)	$ 53,894
Other Financing Sources (Uses)					
Transfers-in	$ 29,593	$ 797,617	$ 7,431	$ 11,596	$ 1,161
Transfers-out	(919,841)	(176,397)	(35)	-	(3,114)
Loan Repayments/Proceeds	436	7,620	5,314	17	74
Leases Incurred	883	1,615	-	-	-
Total Other Financing Sources (Uses)	$ (888,929)	$ 630,455	$ 12,710	$ 11,613	$ (1,879)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 68,757	$ 17,174	$ (2,669)	$ 744	$ 52,015
Fund Equity Beginning	102,545	252,019	30,856	258	303,006
Increase (Decrease) in Reserves					
Inventories	(1,040)	2,874	-	-	-
Revolving Accounts	-	96	-	-	-
Advances to Other Funds	56,179	980	-	-	-
Reserve for Receivables	-	25,676	-	-	-
Other	11	-	-	-	-
Investment in Fixed Assets	-	-	-	-	1
Accounting Change (Note 11)	-	137,098	320	-	-
Prior Period Adjustments	5,661	91	-	181	(1,071)
Fund Equity - Ending	$ 232,113	$ 436,008	$ 28,507	$ 1,183	$353,951

TOTALS	(MEMO ONLY)
YEAR ENDED JUNE 30,	
1986	1985
$1,472,103	$1,325,149
315,089	266,703
49,604	43,627
421,717	396,605
25,937	29,201
2,434	2,407
14,311	14,697
27,930	24,716
122,969	94,006
968,853	967,185
79,998	88,769
15,943	21,165
3,388	3,496
78,093	74,119
38,043	35,792
6,304	3,320
49,444	20,608
$3,692,160	$3,411,565
$ 626,712	$ 566,696
599,454	564,699
38,862	34,603
2,022,304	1,979,179
32,777	41,072
$3,320,109	$3,186,249
$ 372,051	$ 225,316
$ 847,398	$ 964,982
(1,099,387)	(1,177,311)
13,461	20,779
2,498	310
$ (236,030)	$ (191,240)
$ 136,021	$ 34,076
688,684	661,903
1,834	3,508
96	(14)
57,159	-
25,676	-
11	(29)
1	65
137,418	-
4,862	(10,825)
$1,051,762	$ 688,684

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST	NONEXPENDABLE TRUST
Sales Income	$ 231,976	$ 16,662	$ -	$ 17,174
Cost of Goods Sold	(73,149)	(12,459)	-	-
Gross Profit on Sales	$ 158,827	$ 4,203	$ -	$ 17,174
Other Income				
Contributions	$ -	$ -	$ 420,573	$ -
Taxes and Licenses	13,545	86	-	54
Federal Revenue	1,166	-	-	-
Charges for Services	275,962	87,073	-	100
Fines and Forfeitures	103	-	-	-
Rents and Royalties	1,368	12,631	-	1,726
Interest Income	625,798	3,026	1,483,186	16,089
Donations and Grants (Nonfederal)	93	-	-	47
Other Revenue	5,513	3,329	-	2,717
Loss on Foreclosed Property (Net)	(24,974)	-	-	-
Gain (Loss) on Disposition of Equipment	43	(277)	(1)	-
Allowance for Returns	-	-	-	-
Fees Waived	(40,764)	-	-	-
Total Income	$1,016,680	$110,071	$1,903,758	$ 37,907
Operating Expenses				
Salaries and Wages	$ 134,011	$ 44,669	$ 2,045	$ 2,835
Services and Supplies	86,025	46,140	1,151	2,767
Special Payments	320,804	-	-	-
Interest Expense	476,232	490	-	-
Benefit Payments	-	-	260,890	-
Distribution to Governments	-	-	-	16,037
Depreciation/Amortization	5,082	9,093	41	-
Total Expenses	$1,022,154	$100,392	$ 264,127	$ 21,639
Net Income (Loss) From Operations	$ (5,474)	$ 9,679	$1,639,631	$ 16,268
Operating Transfers				
Operating Transfers-in	$ 60,501	$ 666	$ 309	$ 1,176
Operating Transfers-out	(70,790)	(1,259)	-	(618)
Total Operating Transfers	$ (10,289)	$ (593)	$ 309	$ 558
Net Income (Loss) Before Accounting Change	$ (15,763)	$ 9,086	$1,639,940	$ 16,826
Cumulative Effect of Accounting Change	57,218	(26,292)	508,811	-
Net Income (Loss)	$ 41,455	$(17,206)	$2,148,751	$ 16,826
Fund Equity - Beginning	260,132	125,843	4,758,910	130,914
Capital Contributions this Year	648	407	-	-
Prior Period Adjustment	(6,224)	(694)	-	-
Fund Equity - Ending	$ 296,011	$108,350	$6,907,661	$147,740

TOTALS (MEMO ONLY) YEAR ENDED JUNE 30, 1986	1985
$ 265,812	$ 221,186
(85,608)	(84,346)
$ 180,204	$ 136,840
$ 420,573	$ 419,128
13,685	13,495
1,166	1,440
363,135	351,708
103	62
15,725	14,429
2,128,099	1,156,621
140	310
11,559	9,113
(24,974)	(27,674)
(235)	382
-	(1,933)
(40,764)	(48,418)
$3,068,416	$2,025,503
$ 183,560	$ 170,630
136,083	148,631
320,804	235,695
476,722	440,783
260,890	231,694
16,037	15,543
14,216	15,313
$1,408,312	$1,258,289
$1,660,104	$ 767,214
$ 62,652	$ 22,440
(72,667)	(65,038)
$ (10,015)	$ (42,598)
$1,650,089	$ 724,616
539,737	-
$2,189,826	$ 724,616
5,275,799	4,539,749
1,055	
(6,918)	11,434
$7,459,762	$5,275,799

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST	NONEXPENDABLE TRUST
Sources of Working Capital				
Operations:				
Net Income (Loss)	$ (15,763)	$ 9,086	$1,639,940	$16,826
Items Not Requiring (Providing) Working Capital				
Depreciation	5,082	9,093	41	-
LT Compensated Absences	345	52	12	11
Amortized Bond Discounts/Costs/Premiums	(293)	-	-	-
Donated Equipment	(22)	-	-	-
Loans Forgiven	(192)	-	-	-
Accreted Interest	3,462	-	-	-
Total Provided by Operations	$ (7,381)	$18,231	$1,639,993	$16,837
Payables Reclassified to Long-Term	-	-	-	-
Contributed From Another Fund	-	422	-	-
Disposal of Property and Equipment	49	1,353	1	-
Sale of Bonds	1,113,644	-	-	-
Loan Proceeds	1,109	7,498	-	12
Loan Repayments	406,628	447	-	-
Other Miscellaneous	1,807	-	-	-
Prior Period Adjustment	-	-	-	-
Revaluation of Investments	17,826	-	508,811	-
Increase in Loss Reserves	95,983	-	-	-
Loan Reductions - Foreclosures	104,933	-	-	-
Accounting Change	-	2,680	-	-
Total Provided	$1,734,598	$30,631	$2,148,805	$16,849
Uses of Working Capital				
Bonds Reclassified as Current Liabilities	$ 252,523	$ -	$ -	$ -
Retirement of Bonds	23,159	-	-	-
Loans Made	434,593	1,563	-	-
Construction of Buildings	1,259	-	-	-
Acquisition of Property and Equipment	5,107	18,773	46	-
Payment of Other Long-Term Liabilities	1,048	4,131	-	3
Other	397	-	-	-
Premium and Discounts on Bonds	14,656	-	-	-
Bond Expense	29,380	-	-	-
Decrease in Unearned Premium Reserve	-	-	-	-
Total Applied	$ 762,122	$24,467	$ 46	$ 3
Net Increase (Decrease) in Working Capital	$ 972,476	$ 6,164	$2,148,759	$16,846
Elements of Net Increase (Decrease) in Working Capital				
Cash and Investments	$ 655,882	$ (566)	$2,135,018	$19,283
Receivables	41,993	2,579	(1,406)	688
Inventories	8,445	(5,255)	17	(2)
Prepaid Expenses	26	(7)	-	-
Payables	297,890	9,383	15,130	(3,121)
Trust and Agency Funds Payable	(33,463)	-	-	-
Deferred Income	1,703	30	-	(2)
Net Increase (Decrease) in Working Capital	$ 972,476	$ 6,164	$2,148,759	$16,846

TOTALS	(MEMO ONLY)
YEAR ENDED JUNE 30,	
1986	1985
$1,650,089	$ 724,616
14,216	15,313
420	-
(293)	(448)
(22)	-
(192)	-
3,462	970
$1,667,680	$ 740,451
-	7,601
422	4,127
1,403	4,628
1,113,644	227,369
8,619	905
407,075	358,802
1,807	1,563
-	811
526,637	5,991
95,983	71,180
104,933	135,167
2,680	
$3,930,883	$1,558,595
$ 252,523	$ 16,500
23,159	232,510
436,156	439,190
1,259	4,314
23,926	26,670
5,182	12,785
397	6,456
14,656	2,754
29,380	-
-	3,958
$ 786,638	$ 745,137
$3,144,245	$ 813,458
$2,809,617	$ 871,985
43,854	(11,363)
3,205	2,419
19	(661)
319,282	(59,800)
(33,463)	12,353
1,731	(1,475)
$3,144,245	$ 813,458

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - ALL COLLEGE AND UNIVERSITY FUNDS

(Expressed in Thousands)

				TOTALS (MEMO ONLY)	
				YEAR ENDED JUNE 30,	
	CURRENT FUNDS	FIDUCIARY FUNDS	PLANT FUNDS	1986	1985
Revenue					
Federal Revenue	$ 119,368	$ 401	$ 1,479	$ 121,248	$ 114,415
Charges for Services	304,878	-	2,470	307,348	293,916
Fines and Forfeitures	354	-	-	354	500
Rents and Royalties	633	2	-	635	334
Interest Income	4,360	1,347	6,227	11,934	13,092
Donations and Grants (Nonfederal)	38,846	943	1,326	41,115	35,456
Other Revenue	22,312	2,041	16,872	41,225	29,332
Total Revenue	$ 490,751	$ 4,734	$ 28,374	$ 523,859	$ 487,045
Expenditures					
Personal Services	$ 463,835	$ -	$ 56	$ 463,891	$ 430,561
Services and Supplies	184,763	201	11,578	196,542	181,985
Capital Outlay	28,244	-	19,429	47,673	42,329
Special Payments	43,829	-	-	43,829	37,967
Debt Service	304	-	14,873	15,177	16,084
Total Expenditures	$ 720,975	$ 201	$ 45,936	$ 767,112	$ 708,926
Excess (Deficiency) of Revenues Over Expenditures	$(230,224)	$ 4,533	$(17,562)	$(243,253)	$(221,881)
Other Financing Sources (Uses)					
Transfers-in	$ 267,813	$ 964	$ 26,361	$ 295,138	$ 275,825
Transfers-out	(5,385)	(10)	-	(5,395)	(29,872)
Loan Repayments/Proceeds	-	-	6,815	6,815	-
Increase in Fixed Assets	-	-	41,109	41,109	40,388
Decrease in Bonds Payable	-	-	1,964	1,964	8,168
Total Other Financing Sources (Uses)	$ 262,428	$ 954	$ 76,249	$ 339,631	$ 294,509
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 32,204	$ 5,487	$ 58,687	$ 96,378	$ 72,628
Fund Equity Beginning	40,858	91,694	653,763	786,315	713,687
Prior Period Adjustment	(14,074)	-	-	(14,074)	-
Fund Equity - Ending	$ 58,988	$97,181	$712,450	$ 868,619	$ 786,315

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL FUND TYPES

(Expressed in Thousands)

Page 1 of 3

	GENERAL FUND		
	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Income Taxes	$2,770,068	$1,347,606	$1,422,462
Selective Sales and Use Taxes	140,245	66,561	73,684
Gross Receipts Business Taxes	88,457	44,462	43,995
Employer-Employe Taxes	-	-	-
Inheritance and Gift Taxes	44,200	25,937	18,263
Severance Taxes	4,152	1,991	2,161
Other Taxes	-	-	-
Business Licenses and Fees	10,690	5,347	5,343
Nonbusiness Licenses and Fees	21,477	11,385	10,092
Federal Revenue	-	97	(97)
Charges for Services	9,039	6,152	2,887
Fines and Forfeitures	25,608	12,479	13,129
Rents and Royalties	-	136	(136)
Interest Income	52,000	25,201	26,799
Sales Income	5,887	2,727	3,160
Donations and Grants (Nonfederal)	-	-	-
Contributions	-	-	-
Other Revenue	27,945	9,564	18,381
Total Revenue	$3,199,768	$1,559,645	$1,640,123
Expenditures			
Personal Services	$ 551,726	$ 261,804	$ 289,922
Services and Supplies	198,262	103,834	94,428
Capital Outlay	12,236	7,537	4,699
Special Payments	2,066,258	1,024,858	1,041,400
Debt Service	-	-	-
Total Expenditures	$2,828,482	$1,398,033	$1,430,449
Excess (Deficiency) of Revenues Over Expenditures	$ 371,286	$ 161,612	$ 209,674
Other Financing Sources (Uses)			
Nonlimited Expenditures	-	-	-
Nonlimited Revenues	-	-	-
Operating Transfers-in - Interfund	59,548	29,593	29,955
Operating Transfers-out - Interfund	(519,563)	(249,209)	(270,354)
Transfers Out - Other	-	-	-
Transfers to Counties and Cities	-	-	-
Bond Sales/Loan Proceeds	-	-	-
Loan Repayments	-	436	(436)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ (88,729)	$ (57,568)	$ (31,161)
Fund Equity Beginning		102,545	
Transactions Recorded During The Year But Charged to Prior Biennia			
Revenue		9,988	
Expenditures		(7,390)	
Increase (Decrease) in Reserves			
Inventories		(1,040)	
Revolving Accounts		-	
Receivables		-	
Advances to Other Funds		56,179	
Other		11	
Depreciation and Amortization		-	
GAAP Reclassification of fund equity		123,727	
Net Increase in Investment in Plant		-	
Accounting Change		-	
Prior Period Adjustments		5,661	
Fund Equity Ending		$ 232,113	

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
$ -	$ -	$ -	$ -	$ -	$ -
490,250	246,334	243,916	-	-	-
10,252	5,143	5,109	-	-	-
120,530	67,942	52,588	-	-	-
-	-	-	-	-	-
600	443	157	-	-	-
23,617	13,439	10,178	-	-	-
59,097	21,787	37,310	-	-	-
199,249	98,013	101,236	-	-	-
1,673,851	844,410	829,441	-	-	-
330,404	70,060	260,344	-	-	-
886	1,051	(165)	-	-	-
5,615	3,277	2,338	-	-	-
16,938	11,535	5,403	-	-	-
73,470	31,542	41,928	-	-	-
10,083	4,596	5,487	-	-	-
-	-	-	-	-	-
41,060	14,254	26,806	-	-	-
$3,055,902	$1,433,826	$1,622,076	$ -	$ -	$ -
$ 746,378	$ 357,860	$ 388,518	$ -	$ -	$ -
1,098,289	412,787	685,502	-	-	-
41,709	15,588	26,121	-	-	-
1,320,883	535,797	785,086	-	-	-
-	-	-	6,476	2,961	3,515
$3,207,259	$1,322,032	$1,885,227	$ 6,476	$ 2,961	$ 3,515
$ (151,357)	$ 111,794	$ (263,151)	$ (6,476)	$ (2,961)	$ (3,515)
-	(708,735)	708,735	-	(22,196)	22,196
-	698,527	(698,527)	-	18,022	(18,022)
1,049,827	702,278	347,549	-	5,934	(5,934)
(696,561)	(532,300)	(164,261)	-	(1,468)	1,468
(7,438)	(148,357)	140,919	-	-	-
(223,325)	(113,202)	(110,123)	-	-	-
-	-	-	-	-	-
12,300	6,216	6,084	-	-	-
$ (16,554)	$ 16,221	$ (32,775)	$ (6,476)	$ (2,669)	$ (3,807)
	252,019			30,856	
	(1,693)			-	
	3,924			-	
	2,874			-	
	96			-	
	25,676			-	
	980			-	
	-			-	
	-			-	
	(1,278)			-	
	-			-	
	137,098			320	
	91			-	
	$ 436,008			$ 28,507	

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL FUND TYPES

(Expressed in Thousands)

	CAPITAL PROJECTS FUNDS		
	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Income Taxes	$ -	$ -	$ -
Selective Sales and Use Taxes	-	-	-
Gross Receipts Business Taxes	-	-	-
Employer-Employe Taxes	-	-	-
Inheritance and Gift Taxes	-	-	-
Severance Taxes	-	-	-
Other Taxes	-	-	-
Business Licenses and Fees	-	-	-
Nonbusiness Licenses and Fees	-	-	-
Federal Revenue	6,532	386	6,146
Charges for Services	-	9	(9)
Fines and Forfeitures	-	-	-
Rents and Royalties	-	2	(2)
Interest Income	-	18	(18)
Sales Income	207	-	207
Donations and Grants (Nonfederal)	4,575	14	4,561
Contributions	-	-	-
Other Revenue	-	-	-
Total Revenue	$ 11,314	$ 429	$ 10,885
Expenditures			
Personal Services	$ 6	$ 115	$ (109)
Services and Supplies	7,788	1,520	6,268
Capital Outlay	30,171	2,676	27,495
Special Payments	-	-	-
Debt Service	-	-	-
Total Expenditures	$ 37,965	$ 4,311	$ 33,654
Excess (Deficiency) of Revenues Over Expenditures	$(26,651)	$ (3,882)	$(22,769)
Other Financing Sources (Uses)			
Nonlimited Expenditures	-	-	-
Nonlimited Revenues	-	-	-
Operating Transfers-in - Interfund	24,806	4,520	20,286
Operating Transfers-out - Interfund	(1,085)	(942)	(143)
Transfers Out - Other	-	-	-
Transfers to Counties and Cities	-	-	-
Bond Sales/Loan Proceeds	1,735	258	1,477
Loan Repayments	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ (1,195)	$ (46)	$ (1,149)
Fund Equity Beginning		258	
Transactions Recorded During The Year But Charged to Prior Biennia			
Revenue		12,163	
Expenditures		(12,407)	
Increase (Decrease) in Reserves			
Inventories		-	
Revolving Accounts		-	
Receivables		-	
Advances to Other Funds		-	
Other		-	
Depreciation and Amortization		-	
GAAP Reclassification of fund equity		1,034	
Net Increase in Investment in Plant		-	
Accounting Change		-	
Prior Period Adjustments		181	
Fund Equity Ending		$ 1,183	

ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS		
1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
$ -	$ -	$ -	$ -	$ -	$ -
23,404	10,839	12,565	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,994	1,879	2,115	51	53	(2)
12	25	(13)	42	35	7
120	99	21	-	-	-
6,472	3,535	2,937	151,295	72,034	79,261
-	51	(51)	17	16	1
2,013	1,048	965	24,460	12,632	11,828
4,001	11,228	(7,227)	-	1	(1)
146,092	67,450	78,642	45,631	23,688	21,943
-	-	-	-	-	-
-	-	-	-	-	-
503	568	(65)	477	148	329
$186,611	$ 96,722	$ 89,889	$221,973	$108,607	$113,366
$ 50,417	$ 23,668	$ 26,749	$ 98,799	$ 45,754	$ 53,045
45,092	20,437	24,655	58,264	27,021	31,243
1,986	903	1,083	12,667	7,722	4,945
28,013	1,635	26,378	-	-	-
-	37,439	(37,439)	-	-	-
$125,508	$ 84,082	$ 41,426	$169,730	$ 80,497	$ 89,233
$ 61,103	$ 12,640	$ 48,463	$ 52,243	$ 28,110	$ 24,133
-	(1,916,919)	1,916,919	-	(35,301)	35,301
-	2,580,107	(2,580,107)	-	12,519	(12,519)
66,240	17,265	48,975	18,500	10,612	7,888
(76,863)	(53,793)	(23,070)	(20,836)	(9,358)	(11,478)
-	-	-	-	-	-
(51,198)	(15,853)	(35,345)	-	-	-
-	-	-	-	149	(149)
-	1,593	(1,593)	-	-	-
$ (718)	$ 625,040	$ (625,758)	$ 49,907	$ 6,731	$ 43,176
	260,132			125,843	
	(5,517)			(2,711)	
	10,859			(3)	
	-			-	
	-			-	
	-			-	
	-			-	
	-			-	
	(5,163)			(9,275)	
	(640,334)			14,751	
	-			-	
	57,218			(26,292)	
	(6,224)			(694)	
	$ 296,011			$108,350	

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL FUND TYPES

(Expressed in Thousands)

	TRUST AND AGENCY FUNDS		
	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Income Taxes	$ -	$ -	$ -
Selective Sales and Use Taxes	20,363	11,623	8,740
Gross Receipts Business Taxes	6,600	5,238	1,362
Employer-Employe Taxes	90,375	52,194	38,181
Inheritance and Gift Taxes	-	-	-
Severance Taxes	74,000	24,510	49,490
Other Taxes	1,720	871	849
Business Licenses and Fees	-	-	-
Nonbusiness Licenses and Fees	93	56	37
Federal Revenue	3,763	2,601	1,162
Charges for Services	2,173	99	2,074
Fines and Forfeitures	-	-	-
Rents and Royalties	3,405	1,726	1,679
Interest Income	509,743	1,506,644	(996,901)
Sales Income	31,858	17,236	14,622
Donations and Grants (Nonfederal)	70	3	67
Contributions	786,449	420,574	365,875
Other Revenue	558	1,978	(1,420)
Total Revenue	$1,531,170	$2,045,353	$(514,183)
Expenditures			
Personal Services	$ 10,905	$ 4,861	$ 6,044
Services and Supplies	8,195	3,197	4,998
Capital Outlay	781	109	672
Special Payments	3,763	1,480	2,283
Debt Service	-	-	-
Total Expenditures	$ 23,644	$ 9,647	$ 13,997
Excess (Deficiency) of Revenues Over Expenditures	$1,507,526	$2,035,706	$(528,180)
Other Financing Sources (Uses)			
Nonlimited Expenditures	-	(782,116)	782,116
Nonlimited Revenues	-	571,366	(571,366)
Operating Transfers-in - Interfund	44,999	21,541	23,458
Operating Transfers-out - Interfund	(44,995)	(21,734)	(23,261)
Transfers Out - Other	-	(150)	150
Transfers to Counties and Cities	(192,482)	(93,034)	(99,448)
Bond Sales/Loan Proceeds	-	-	-
Loan Repayments	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$1,315,048	$1,731,579	$(416,531)
Fund Equity Beginning		5,192,830	
Transactions Recorded During The Year But Charged to Prior Biennia			
Revenue		(8,025)	
Expenditures		(117)	
Increase (Decrease) in Reserves			
Inventories		-	
Revolving Accounts		-	
Receivables		-	
Advances to Other Funds		-	
Other		1	
Depreciation and Amortization		(41)	
GAAP Reclassification of fund equity		(14,615)	
Net Increase in Investment in Plant		-	
Accounting Change		508,811	
Prior Period Adjustments		(1,071)	
Fund Equity Ending		$7,409,352	

COLLEGE AND UNIVERSITY FUNDS			TOTALS (MEMO ONLY)		
1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
$ -	$ -	$ -	$2,770,068	$1,347,606	$ 1,422,462
-	-	-	674,262	335,357	338,905
-	-	-	105,309	54,843	50,466
-	-	-	210,905	120,136	90,769
-	-	-	44,200	25,937	18,263
-	-	-	78,752	26,944	51,808
-	-	-	25,337	14,310	11,027
-	-	-	73,832	29,066	44,766
-	-	-	220,873	109,514	111,359
103,610	26,500	77,110	1,787,876	874,093	913,783
360,730	186,825	173,905	860,113	338,714	521,399
-	304	(304)	26,511	13,901	12,610
-	-	-	35,493	18,821	16,672
328	1,536	(1,208)	583,010	1,556,163	(973,153)
-	-	-	303,145	142,643	160,502
14,131	3,163	10,968	28,859	7,776	21,083
-	-	-	786,449	420,574	365,875
13,944	6,514	7,430	84,487	33,026	51,461
$ 492,743	$ 224,842	$ 267,901	$8,699,481	$5,469,424	$ 3,230,057
$ 722,604	$ 344,725	$ 377,879	$2,180,835	$1,038,787	$ 1,142,048
179,752	94,596	85,156	1,595,642	663,392	932,250
129,371	25,466	103,905	228,921	60,001	168,920
18,148	12,123	6,025	3,437,065	1,575,893	1,861,172
10,695	5,483	5,212	17,171	45,883	(28,712)
$1,060,570	$ 482,393	$ 578,177	$7,459,634	$3,383,956	$ 4,075,678
$ (567,827)	$ (257,551)	$ (310,276)	$1,239,847	$2,085,468	$ (845,621)
-	(278,816)	278,816	-	(3,744,083)	3,744,083
-	311,476	(311,476)	-	4,192,017	(4,192,017)
550,695	281,345	269,350	1,814,615	1,073,088	741,527
-	(9,757)	9,757	(1,359,903)	(878,561)	(481,342)
-	-	-	(7,438)	(148,507)	141,069
-	-	-	(467,005)	(222,089)	(244,916)
3,880	-	3,880	5,615	407	5,208
14,111	6,319	7,792	26,411	14,564	11,847
$ 859	$ 53,016	$ (52,157)	$1,252,142	$2,372,304	$(1,120,162)
	786,315			6,750,798	
	12,588			16,793	
	(14,681)			(19,815)	
	-			1,834	
	-			96	
	-			25,676	
	-			57,159	
	2,924			2,936	
	-			(14,479)	
	(542)			(517,257)	
	43,073			43,073	
	-			677,155	
	(14,074)			(16,130)	
	$ 868,619			$9,380,143	

The notes to the financial statements are an integral part of this report.

A. Summary of Significant Accounting Policies

1. Reporting Entity

The reporting entity of the State of Oregon includes all state agencies, universities, commissions, and boards for which the elected state officials have oversight responsibility. Oversight responsibility implies that the state officials have final decision-making authority, designate who will manage day-to-day operations of the governmental activity or program, and significantly influence the operations. The governmental unit is dependent upon the elected state officials for fiscal decisions relative to adoption of budgets and funding of deficits.

All functions, programs, and activities that are controlled by or dependent upon the legislative or executive branch of the State of Oregon are included in this report. This includes the State Court system and the Retirement system. This does not include the Oregon State Bar.

SAIF Corporation, a public corporation and its wholly-owned subsidiary SAIF Corporation of Oregon are included in this reporting entity. At June 25, 1986, SAIF acquired the assets of another company, Loggers Assurance Company. Those component units are included in Enterprise Funds.

Commodity commissions were originally established for the purpose of expanding the markets for specific commodities. The Department of Agriculture, a state agency, has general supervisory authority over the commodity commissions. However, Oregon Revised Statues 576.311 exempts the commodity commissions from certain financial administration laws. Therefore, the financial information pertaining to agricultural commodity commissions is not included in this report.

Oregon Mass Transportation Financing Authority was established by the legislature to issue revenue bonds. The bond proceeds were utilized to finance the costs of transit facilities for mass transit districts. The Authority is not included as part of this reporting entity.

The Economic Development Department, a state agency, has issued industrial development revenue bonds. Since industrial development revenue bonds are considered no-commitment long-term debt, the financial transactions relative to the bond activity are not included in this report.

The Public Employe Retirement System and Oregon State Fair and Exposition Center, component units of the State of Oregon, utilize a calendar year for accounting and reporting purposes. They are presented on a fiscal year basis in this report.

2. Basis of Presentation-Fund Accounting

The accompanying financial statements are prepared in conformity with generally accepted accounting principles (GAAP) applicable to state governments. The principal authority for accounting and reporting requirements in Oregon is the Executive Department through its Administrative Rules and the State Accounting Manual. The Department interprets the guidelines for financial reporting presented by the Governmental Accounting Standards Board, National Council on Governmental Accounting (NCGA) Statements and the AICPA's industry audit guide, "Audits of State and Local Government Units-Revised" (ASLGU). Pronouncements of the Financial Accounting Standards Board (FASB) are also considered when applicable.

The financial transactions for the College and University Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the National Association of College and University Business Officers and are presented in a separate column of the financial statements as a discrete activity.

State government is operated based on fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording assets, liabilities, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions. Following are the funds presented in the financial statements.

Governmental Fund Types

(a) The General Fund accounts for ordinary operations financed by legislatively approved appropriations from general revenues and used for general governmental purposes. General Fund appropriations for debt service, capital construction projects, and colleges and universities are reported in the Debt Service Funds, the Capital Project Funds, and College and University Funds, respectively.

(b) Special Revenue Funds account for the proceeds of specific revenue sources or finance specified activities as required by law or administrative regulations. Special Revenue Funds are established to account for taxes, licenses, and other revenue allocated by law to specific general governmental purposes. These revenues are collected by an agency and either transferred to another agency to be expended for a specific purpose, or the revenues are expended by the collecting agency.

A Special Assessment Fund accounts for special assessments levied to finance public improvements or services deemed to benefit the properties against which the assessments are levied. Since only one Special Assessment Fund, Forest Patrol, exists in the State of Oregon, this fund has been included with the Special Revenue Funds.

(c) Debt Service Funds account for the accumulation of resources for and the payment of interest and principal on general governmental obligations that are included in the General Long-Term Debt Account Group. They include debt service provided by General Fund appropriations.

(d) Capital Project Funds account for financial resources segregated for the construction or acquisition of major capital facilities other than those financed by proprietary type funds and College and University Funds.

A Capital Projects Fund is established upon project or debt issue authorization by the Legislature. All expenditures necessary to bring the facility to a state of readiness for its intended purpose are reported as Capital Project Fund costs.

The Fund is accounted for separately to meet budgetary requirements even though a proprietary type fund may own the assets. At June 30, the activity is capitalized in the General Fixed Assets Account Group or the appropriate proprietary type fund. Partially completed projects are included in the Construction in Process account. Upon completion of a project, the buildings, or other structures are recorded at cost.

Proprietary Fund Types

(e) Enterprise Funds account for the provision of goods and services to the general public where all or most of the costs involved are primarily paid in the form of charges to the users of such services. Among the many types of self-supporting activities financed through Enterprise Funds are insurance operations, fair operations, and liquor retailing operations. Issuance of revenue bonds to finance the activity is also indicative of the self-supporting nature of an activity accounted for through Enterprise Funds.

(f) Internal Service Funds account for the financing of goods and services provided by an agency on a cost-reimbursement basis to any other governmental unit, whether state, federal, or local. Activities handled through Internal Service Funds vary widely both as to type and complexity of operation. Among the types are those used to acquire and distribute items of inventory such as office supplies or gasoline; operation of motor pools, and duplicating and printing facilities. Other examples are purchasing, accounting, auditing, and data processing services.

Fiduciary Fund Types

(g) A Trust Fund is established to account for assets received and held by an agency acting in the capacity of trustee or custodian. An Agency Fund is established to account for assets received by an agency in its capacity as an agent for individuals and other governmental units.

There are three types of Trust Funds: Expendable Trusts, Nonexpendable Trusts, and Pension Trusts.

College and University Funds

(h) The College and University Funds are established to account for:

(1) **Current Funds** - used to account for unrestricted funds over which the Board of Higher Education retains full control and are expendable for any purpose in performing the primary objectives of the Board; restricted funds, which consist of funds restricted by donors or outside agencies; and auxiliary funds which are self sustaining activities providing goods and services to students, faculty, and staff.

(2) **Fiduciary Funds** - used to account for loan, endowment, and agency funds in which the institutions act in a fiduciary capacity.

(3) **Plant Funds** - used to account for unexpended plant funds, debt service, and plant investment.

General Fund appropriations partially finance all three funds.

Account Groups

(i) The General Fixed Asset Account Group is used to account for fixed assets acquired through governmental fund types. Fixed assets acquired through Enterprise, Internal Service Funds, certain Trust Funds, and College and University Funds are not general fixed assets, but are reported in the accounts of the acquiring fund.

(j) The General Long-Term Debt Account Group includes all general obligation bonds and general long-term liabilities relating to governmental type funds. These long-term liabilities include capital leases, contracts and notes, advances from other funds, and compensated absences.

General obligation bonds are secured by the full faith and credit of the State and are not deemed to be the obligation of any specific fund.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. All proprietary-type funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All governmental-type funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. "Available" indicates collectible within the current period or soon enough thereafter to pay liabilities of the current period. Primary revenue sources susceptible to accrual are income taxes, excise taxes, and federal revenues. Taxpayer assessed taxes are considered "measurable" when the revenue is in the hands of intermediary collecting agents. Federal grant revenue is not recognized until the expenditure is recognized.

Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. An exception to this general rule of expenditure recognition is: Principal and interest on general long-term liabilities are recognized when due.

Long-term receivables, net of uncollectibles, are included in the governmental-type funds. Loans and advances are reserved; other long-term receivables are deferred to future periods on the balance sheet.

Fixed assets and long-term liabilities of governmental-type funds are included in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively.

The modified accrual basis of accounting has been utilized for expendable trust funds and agency funds. The pension trust funds and nonexpendable trust funds use the accrual basis of accounting.

The college and university funds are accounted for on an accrual basis of accounting with the following exceptions:

(a) Depreciation expense is not recorded.

(b) Revenues and expenditures of an academic term encompassing more than one fiscal year are reported in the fiscal year in which the program is predominantly conducted.

(c) Interest expense is recorded when the payment is made.

4. Budgetary Accounting

Agency budgets are approved by the Legislature biennially. Any increases in the budgets that may be necessary are approved by the Emergency Board during the interim. Legislatively approved appropriations are financed from general governmental revenues of the General Fund. Legislatively approved limitations are financed from general governmental revenues or revenues of self-supporting activities of Oregon. Appropriations and limitations lapse at the end of the biennium.

During the biennium, the Executive Department approves spending limits for each quarter. Each agency's actual expenditures are monitored daily against approved budgets, quarterly allotments, and cash balances.

Appropriated budgets include expenditure authority created by appropriation bills and related estimated revenues. All funds are subject to legislative approval. Nonappropriated budgets and some nonlimited financial activities are also subject to allotment control by the Executive Department.

Because of the budgetary control requirements placed on all funds, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget (Non-GAAP basis) and Actual" includes all funds. Nonlimited revenues and expenditures are included in "Other Financing Sources or Uses" section.

Encumbrances are not allowed at the end of a biennium. Services or supplies must be received prior to June 30. Encumbrance accounting is allowed during the biennium. Because all encumbrances lapse at the end of the biennium except capital construction, capital improvements, and contested claims, there is no reservation of fund balance. The encumbrances not lapsing are included under "Commitments and Contingencies".

A reconciliation is included on the "Combined Statement of Revenues, Expenditures and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual". It reconciles the budgetary basis of accounting to the "Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Funds", "Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All Governmental Fund Types and Expendable Trust Funds", and "Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All College and University Funds", which present generally accepted accounting principles.

5. Investments

Equity investments of the Public Employe Retirement System and SAIF Corporation are currently carried at market value in accordance with Statements of Financial Accounting Standards No. 35 and 60, respectively. Future authoritative pronouncements may alter this presentation. Debt investments are stated at cost or amortized cost. It is generally the intention of the State to hold the debt security investments until maturity. Market values are stated, if available. (Note 8)

6. Receivables

Receivables are shown net of an allowance for uncollectible accounts. Receivables included are amounts due representing revenues earned or accrued in the current period. Types of receivables included in this classification relate to taxes, interest, amounts due from the federal government or other governments, and amounts due resulting from the sale of goods or services.

7. Inventories

Inventories are primarily stated at cost utilizing the FIFO (first-in, first-out) costing method. Physical inventories are required to be taken annually. In proprietary-type funds, the expense occurs when the inventory is used. In governmental-type funds, the expenditure occurs when the inventory is purchased and there is a reservation of the fund equity.

In the proprietary funds, inventories are usually defined as the cost of goods or property held for resale. Foreclosed property is presented at the appraised value of the property at the date of foreclosure. In all other funds, inventories are considered the value of supplies on hand for use in the fund's operations.

8. Fixed Assets

The classes used for reporting fixed assets are:

- Land, Buildings and Improvements
- Leasehold Improvements
- Capital Leases
- Construction in Process
- Equipment and Machinery
- Data Processing Software

Fixed assets utilized in proprietary fund activities are reported in the appropriate proprietary fund because the fixed assets are used in the production of the goods or services provided and sold. Depreciation or amortization of these fixed assets is recorded to determine total expenses, net income, and whether the fund's capital has been impaired.

Fixed assets utilized in College and University Funds are reported in the fixed asset accounts of the fund.

Fixed assets utilized in Trust Funds are reported in the Trust Funds. Fixed assets other than those accounted for in the proprietary funds, College and University Funds, and Trust Funds are general fixed assets. General fixed assets belong to the state government as an instrumentality, and are not reported in the governmental funds. They may be acquired by gift or by expenditure from several sources and funds. General fixed assets are reported in the General Fixed Assets Account Group.

Fixed assets are reported at cost or estimated cost if the original cost is not determinable. Donated fixed assets are reported at their estimated fair market value at the time received. Land costs include 1,432,606 acres of forest and other lands valued at one dollar per acre. Leased property is reported at the net amortized value.

Roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are normally immovable and of value only to the governmental unit. These "infrastructure" asset values, including the statewide highway system, are excluded from this report. Oregon's airports, however, are included in the Land, Buildings and Improvements category.

The construction in process account represents the total expended to date on a capital project. If a governmental fund type will own the asset, the account is included in the General Fixed Assets Account Group. If another fund type will own the asset, the account is included in the fixed assets of the fund type.

Capital leases, where title to the property passes to the State, are included in the appropriate fixed asset class. The property is depreciated, if appropriate. In the cases where the capital lease title will not pass to the State, the Capital Leased Property account is used. The property is amortized, if appropriate.

Fixed assets costing less than $100 are expensed unless an agency has elected to include them in their property records for control purposes.

9. Depreciation and Amortization

The recording of depreciation or amortization of fixed assets of proprietary funds is included in those funds in this report.

Any generally accepted method of computing depreciation that an agency is recommended to use to meet requirements of the federal government or other organization for rate determination or cost recovery purposes is acceptable; otherwise, one of the two following methods is required:

(a) Straight-line Depreciation provides for the distribution of the cost evenly over the life of the fixed asset.

(b) Working Hour Method which provides for the distribution of costs over the estimated useful hours or days of a piece of equipment.

Amortization is a systematic reduction of the intangible property value over the life of the property or period of the lease, whichever is shorter. Intangible assets include leasehold improvements, software, and capital leases where the lease does not provide for a change in ownership.

Generally accepted accounting for college and university funds does not require depreciation or amortization of fixed assets.

10. Deferred Income

Deferred income represents amounts for which asset recognition criteria has been met but for which revenue recognition criteria has not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Long term receivables of governmental fund types that are not loans or advances are deferred to future periods.

11. Accounting Changes

a. Public Employe Retirement System and SAIF Corporation, component units of the State of Oregon value their equity fund investments at market value. Beginning this fiscal year, the State is changing its method of accounting to reflect equity fund investments consistently with that of the component units. Prior to this year, those investments were shown at cost.

   The effect of the accounting change increases net income by $725,243 thousand for PERS. The effect on SAIF was to increase net income by $17,826 thousand.

b. Securities on deposit relative to insurance coverage at the Department of Commerce have been changed from face value to market value this year. This reflects a more true valuation. The effect of the accounting change is an increase in assets and Trust Funds Payable by approximately $16,000 thousand.

c. The State has elected to reserve long-term loans and advances in governmental-type funds. The reserve account is presented as a portion of fund equity. In prior years, all long-term receivables were deferred to future years.

d. The Lottery Commission, an Enterprise Fund, has changed its method of revenue recognition relative to FASB48. This year revenue is recognized at the point of sale. In prior years, revenue was recognized at the time tickets were distributed to the vendors. The cumulative effect of the accounting change decreased fund equity by $808 thousand. The effect on net operating income was not determinable.

e. Recognition of insurance claims loss reserve liability has been refined this year. The effects of this accounting change are:

(1) SAIF Corporation, an Enterprise Fund, calculates reserves separately for serious and nonserious claims. The impact reduces incurred losses by $17,600 thousand. The reserves also include a discounting of $22,600 thousand for permanent-partial, temporary-total and incurred but not reported on permanent-total and fatal claims. The effect is to increase net income by $40,200 thousand.

(2) Department of General Services, an Internal Service Fund, $3,181 thousand. This decreased fund equity. The effect on net operating income was not determinable. The loss reserve liability in the past was reported on a discounted basis for consideration of the time value of money. It is currently reported at full cost.

f. Special Revenue Funds include the activities previously presented as an internal service fund of the Highway Division. The effects of this presentation is a cumulative increase in fund equity of $2,596 thousand in Special Revenue Funds.

g. Municipal bonds purchased by Department of Environmental Quality are now reported as investments. The cumulative increase in fund equity is $86,589 thousand in Special Revenue Funds.

h. New classifications of accounts are included in this annual report. Material amounts in prior years that relate to the new classifications have been reclassified in the current financial statements.

12. Elements of Fund Equity

A portion of the fund equity has been earmarked to indicate it cannot be used for expenditure of current resources in governmental fund types. Reserve accounts used for this segregation are Reserve for Inventories, Reserve for Receivables, Reserve for Advances to Other Funds, Reserve for Revolving Accounts and Other Reserves.

No portion of the unreserved fund equity has been designated.

13. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "memo only" to indicate that they are presented only for use in financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation of funds since interfund eliminations have not been reflected in these columns.

B. Cash and Investments

Cash and Investments was composed of the following amounts at June 30, 1986:

	CASH ON HAND AND IN BANKS	CASH WITH FISCAL AGENT	CASH AND POOLED INVESTMENTS	INVESTMENTS STATE TREASURY	INVESTMENTS OTHER	TOTAL
General Fund	$ -	$ -	$ 177,850	$ -	$ -	$ 177,850
Special Revenue Funds	9,990	-	229,482	89,415	86,589	415,476
Debt Service Funds	7,916	-	17,891	-	156	25,963
Capital Project Funds	-	-	(188)	-	-	(188)
Enterprise Funds	1,204	4,679	570,129	1,513,065	157,572	2,246,649
Internal Service Funds	-	-	27,117	20,906	-	48,023
Trust and Agency Funds	60,029	-	1,036,724	6,858,896	6,032	7,961,681
College & University Funds	-	432	30,162	96,285	1,284	128,163
Total	$79,139	$5,111	$2,089,167	$8,578,567	$251,633	$11,003,617

The State maintains a cash and investment pool that is available for use by all funds. The pool has deposits, repurchase agreements and other investments. Each fund's portion of this pool is summarized by fund type in the Combined Balance Sheet as Cash and Investments. Short and long-term investments are held by several of the State's funds. Some investments are made directly by the agency, rather than by the State Treasurer. All investments are stated at cost except the equity funds of the Public Employes Retirement Fund (PERF) and Industrial Accident Fund (IAF) which are stated at market value. The PERF is included in Fiduciary Funds; IAF is part of Enterprise Funds.

The State's investment policies are governed by State Statutes. State moneys may be deposited in any trust company, bank or mutual savings bank or branch office in that capacity within the State. The State is authorized to use demand deposits and certificates of deposit. State investment statutes are based primarily on prudence and allow almost any amount and type of investment. Common stock acquisitions, however, are limited to 50% of the funds in the PERF and IAF funds. Common stock transactions must be handled outside by money managers.

Collateral is required for demand deposits and certificates of deposit at 25 percent of all deposits. Obligations that may be pledged are obligations of the United States and its agencies and obligations of any state, county, city, school district, and some other public bodies subject to certain restrictions. Collateral requirements may be increased to 110 percent under certain circumstances.

Obligations pledged to secure deposits must be delivered to custodians. Custodians may be the Portland Branch of the Federal Reserve Bank of San Francisco; any bank, trust company, or savings and loan association doing business in this state or authorized to act as trustee in the State; or the fiscal agency of the State of Oregon and State of New York as prescribed by Oregon Law. With the approval of the State Treasurer, a depository bank may be a custodian bank with respect to its own securities.

Repurchase agreements are purchased through registered securities broker dealers. Securities underlying repurchase agreement must have a market value of at least 102 percent of the cost of the repurchase agreement. No substitution of securities is permitted. The securities underlying the agreements must be delivered to the State's custodial banks. The State enters into written master purchase agreements that outline the obligations of both the State and the dealers. These agreements address, among other things:

1. Specifications for delivery of the underlying securities to the custodial bank.

2. The rights of the State to liquidate the underlying securities in the event of default by the dealer.

3. The required margin of 102 percent and the dealer's obligation to

provide additional securities to maintain this margin.

At June 30, 1986, $53,593 thousand repurchase agreements were held by the Department of Commerce, Housing Division.

Oregon Law permits the State to enter into reverse repurchase agreements. These agreements are made with SEC-registered securities broker-dealers only. The proceeds from reverse repurchase agreements are usually used to invest in U.S. Treasury and U.S. Agency obligations, however, it is not a requirement.

Written agreements are used for each reverse repurchase agreement transaction. These agreements generally:

1. Require delivery of the underlying securities to the dealers;
2. Give the dealers the right to liquidate the securities if the State defaults on the agreement.
3. Require the market value of the underlying securities to exceed 102 percent of the amount received from the agreement.
4. Require the state to transfer additional securities or cash if the market value of the underlying securities falls below 102 percent of the amount received from the transaction.

Reverse Repurchase agreements at June 30, 1986 were $4,549 thousand in the Public Employes Retirement Fund and $11,000 thousand in the Department of Commerce, Housing Division. They are included in fiduciary funds and enterprise funds, respectively.

Deposits and Investments at Year End were valued as follows:
(In Thousands)

	Carrying Amount	Market Value
Cash on Hand and in Banks	$ 79,139	$ 79,139
Cash with Fiscal Agent	5,111	5,111
Equity in Cash and Pooled Investments		
Deposit Amounts, Net of Outstanding Checks	199,454	199,454
Pooled Investment - Total (Page 41)	1,889,713	1,884,800
Total Cash and Pooled Investments	$2,173,417	$ 2,168,504
Investments - State Treasurer		
State Accident Insurance	$ 843,663	$ 843,663
Public Employes Retirement	6,717,646	6,902,219
All Other	1,017,258	1,080,908
Total Investments - State Treasurer (Page 41)	$8,578,567	$ 8,826,790
Investments - Other	$ 251,633	$ 272,505
Total Cash and Investments (Page 37)	$11,003,617	$11,267,799

Detail Schedule of Investments, June 30, 1986
(Expressed in Thousands)

DESCRIPTION	POOLED INVESTMENTS	INVESTMENTS STATE TREASURER
US Treasury Bills	$ 117,713	$ 358,303
US Agency Paper	679,896	147,331
Time Certificate of Deposit	90,050	-
Utilities	617,170	46,050
Industrials	9,900	22
Finance Credit	182,548	4,300
Total Short Term Investments	$1,697,277	$ 556,006
Government Bonds	$ -	$ 55,603
US Treasury Coupons	-	1,001,718
US Agency Bonds	-	56,386
Canadian Bonds	-	116,022
Municipal Bonds	-	8
GNMA Passthrus and FHLMC's	82,764	24,462
US Treasury, Zero Coupon	-	138,166
Collateralized Mortgage Obligation	-	116,670
Utilities - Telephone	-	30,612
Utilities - Electricity	-	616,368
Utilities - Gas	-	52,946
Industrials	-	326,874
Financial	-	229,372
Railroad - Equipment Trust	-	83,591
Mortgage Pass-Thru Securities	9,979	175,528
Mortgage-Backed Securities	-	34,823
Capehart Mortgages	-	1,204
Residential Blocks	99,693	18,621
Apartments and Nursing Homes	-	1,639
Conventional Real Estate Mortgage	-	275,520
Real Estate Equity Participation	-	261,381
Equity Real Estate Options	-	78,000
Equity Real Estate	-	18,525
Business Loans	-	2,565
Convertible Bonds	-	36,000
Equity Funds	-	4,026,919
Leveraged Buy-Outs	-	190,315
Venture Capital	-	52,723
Total Long-Term Investments	$ 192,436	$8,022,561
Total All Investments	$1,889,713	$8,578,567

C. **Restricted Assets**

Cash and investments of $196,779 thousand are restricted for revenue bonds of Enterprise Funds.

D. **Changes in General Fixed Assets**

A summary of changes in general fixed assets follows:

(Expressed in Thousands)

	June 30, 1985	Increases	Decreases	June 30, 1986
Land	$139,395	$ 36,161	$ 346	$175,210
Buildings	149,829	8,644	8,277	150,196
Improvements other than Buildings	7,120	11,201	112	18,209
Leasehold Improvements	957	123	-	1,080
Capital Leased Property	450	35	450	35
Construction in Process	7,782	9,566	4,459	12,889
Equipment and Machinery	132,445	84,340	6,619	210,166
Data Processing Software	320	819	-	1,139
Total	$438,298	$150,889	$20,263	$568,924

E. **Summary of Proprietary Fund Fixed Assets**

A summary of proprietary fund fixed assets at June 30, 1986, follows:

(Expressed in Thousands)

	Enterprise	Internal Service
Land	$ 1,820	$ 171
Buildings	63,746	57,815
Improvements	5,319	12,016
Leasehold Improvements (Net)	203	639
Capital Leases (Net)	336	1,139
Construction in Process	1,204	2,236
Equipment and Machinery	27,895	64,301
Software (Net)	6	293
Less: Allowance for Depreciation	(46,613)	(54,053)
Total	$53,916	$84,557

F. **Summary of College and University Fund Fixed Assets**

A summary of college and university fund fixed assets at June 30, 1986 follows:

(Expressed in Thousands)

Land	$ 21,474
Buildings	427,144
Improvements	26,070
Construction in Process	16,834
Equipment and Machinery	324,791
Less: Allowance for Depreciation	(36,268)
Total	$780,045

G. **Pension Plan for State Employes**

Pursuant to Oregon Revised Statutes Chapter 237, after six months trial service with the State of Oregon, all employes must belong to the Oregon Public Employes Retirement System. The Oregon Public Employes Retirement System collects contributions from both employers and employes for the purpose of funding retirement benefits. Each employe contributes 6% of the their salary. The employe's share is either deducted from their salary or is picked up by the employer. The system covers approximately 130 thousand State and local government Oregon employes and 47 thousand retired employes or their beneficiaries. The employe is vested after having made contributions during each of five calendar years or reaching a maximum required age prior to ceasing employment. The system is administered by the Oregon Public Employe Retirement Board.

The system's pension program is a defined benefit plan, and requires periodic actuarial review. Under ORS 237, this review must be performed at least every four years. The most current actuarial evaluation was conducted as of December 31, 1985.

In 1981, the State went to a formula pension. The method used in the valuation is called the "entry age cost method." Under the entry age cost method, the normal costs for a member are assumed to be paid from hire to retirement, death or termination of employment. They are also assumed to earn interest as they accumulate as part of the fund.

The December 31, 1985 actuarial valuation of the system reported that the present value of accrued benefits or all unretired members is fully funded and the present value of projected benefits to be earned in future years by present members is not fully funded. These two segments represent the unfunded supplemental present value which is the amount by which the accumulated entry age costs for all unretired members of the System exceed the assets available to meet benefit commitments. In determining present value of the accumulated plan benefits, the actuary used a 7.5% rate of return. The total unfunded actuarial liability of the system is $512,000 thousand; for the State employe members only, $120,200 thousand.

In order to liquidate the actuarially determined unfunded benefits over a 30-year period, and adequately fund present benefits provided by the plan, the employer contribution rate for state agencies will remain at 10.59% through 1987. The employer contribution rate will be 10.22% on January 1, 1988. The employer contribution for the fiscal year 1986 was $72,994 thousand.

H. Deferred Compensation

A deferred compensation program was authorized under Internal Revenue Code Section 457 and ORS 243.400 to 243.495. It is a benefit available to all state employes wherein they may execute an individual agreement with the state for amounts earned by them to be paid at a future date. Participants in the program are not required to pay federal and state income taxes on the deferred earnings until it is received. Participants cannot receive the funds until certain circumstances are met. These circumstances are termination by reason of death; disability; resignation; or retirement. Payments to participants may be made over a period not to exceed the life expectancy of the participant and/or spouse.

Moneys accumulated by the State under its deferred compensation plan have been transferred to the Executive Department for deposit with various financial institutions and insurance companies. These deposits are not subject to the collateral requirements of Oregon Law. Moneys accumulated by the State under the deferred compensation program represent a general liability of the State to its employes whose rights are equal to but not greater than the rights of other general creditors with respect to such amounts.

The deferred compensation activity is included in Agency Funds.

I. Compensated Absences

It is the State's policy to record the cost of employe leave at the time the leave is paid. Employe leave includes vacation leave, sick leave, and personal leave.

Only vacation leave meets the criteria to qualify for compensated absences:

1. The employe's right to receive compensation is based on services already rendered;
2. Rights are vested and accumulate;
3. Payment of the compensation is probable; and

4. The amount can be reasonably estimated.

The liability for compensated absences is calculated by each agency based on current salary costs and a cost of living increase as of July 1, 1986. The total liability is $47,033 thousand.

J. Long-term Debt

STATE OF OREGON
SUMMARY OF CHANGES IN BONDED DEBT
OUTSTANDING
(Expressed in Thousands)

	BONDS OUTSTANDING JULY 1, 1985	DEBT INCURRED THIS YEAR	DEBT REDUCED THIS YEAR	BONDS OUTSTANDING JUNE 30, 1986
General Obligation Bonds				
General Fund Obligations				
Community College Bonds	$ 33,730	$ -	$ 1,430	$ 32,300
Higher Education Facilities Bonds	57,330	-	2,485	54,845
Pollution Control Bonds	137,125	-	7,825	129,300
Total General Fund Obligations	$ 228,185	$ -	$ 11,740	$ 216,445
Dedicated Fund Obligations				
Oregon Veterans' Welfare Bonds	$4,987,800	$1,053,403	$227,000	$5,814,203
Higher Education Project Bonds	81,753	6,815	5,339	83,229
Oregon State Highway Bonds	37,000	-	3,300	33,700
Elderly Housing Bonds	98,415	-	410	98,005
Water Resources Bonds	25,000	-	894	24,106
Alternate Energy Bonds	76,890	30,240	450	106,680
Total Dedicated Fund Obligations	$5,306,858	$1,090,458	$237,393	$6,159,923
Total General Obligation Bonds	$5,535,043	$1,090,458	$249,133	$6,376,368
Revenue Bonds				
Housing Bonds	499,274	30,001	21,405	507,870
Total Obligation	$6,034,317	$1,120,459	$270,538	$6,884,238

Included in long-term debt is $740,000 thousand general obligation demand bonds backed by the full faith and credit of the State of Oregon. The application of the bond proceeds is as follows:

(Expressed in thousands)

$ 86,200	Payment of maturing principal of outstanding bonds of the State, together with accrued interest thereon.
74,000	Deposit to Debt Service Reserve Account of the Sinking Fund.
360,000	Funding of interest on outstanding bonds of the State coming due within 12 months of date of issue of the bonds.
180,000	Payment of notes issued by the State to fund payment of veterans' property taxes.
29,700	Payment to secure interest rate protection for the State.
10,100	Issuance costs, including underwriters' discount.
$740,000	

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest. The remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. In the event bonds cannot be remarketed, they will be purchased with funds from an irrevocable letter of credit. Under irrevocable letters of credit issued by eight Japanese Banks, the Fiscal Agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it and 210 days of interest. The letters of credit are valid through December 19, 1995, and carry variable interest rate. The letters of credit may be extended upon the mutual agreement of the parties involved. The principal amount of drawings made to pay the purchase price of tendered bonds that have not been remarketed is required to be repaid on or before the earliest of (a) the tenth anniversary of the date of the drawing, (b) the second anniversary of the termination of such Credit Bank's Letter of Credit, or (c) the date on which a Letter of Credit Event of Default has occurred. Additionally, upon the remarketing of any bonds held by a Credit Bank, the remarketing proceeds shall be paid over to the Credit Bank in repayment of the drawing made on the Credit Bank's Letter of Credit in respect of such bonds.

A commitment fee of 11/16 of 1 percent on the series commitment amount and an agent fee of $25 thousand is required to be paid semiannually for the letter of credit.

No-commitment long-term debt refers to revenue bond debt issued to finance public purpose expenditures intended for beneficial ownership by private entities. Such debt bears the name of the State but is secured solely by the credit of the private entity and usually is serviced and administered by a trustee independent of the State. No-commitment long-term debt issued by the Economic Development Department $257,681 thousand are not included in the financial statements.

On October 11, 1983, Water Resources $16,115 thousand bond issue was defeased. Securities necessary to retire the bonds were purchased and in the hands of a trustee at that date.

In October 1985, Tri-County Metropolitan Transportation District issued $33,550 thousand bonds to defease all bonds previously issued by Oregon Mass Transportation Financing Authority.

In July, 1985, the Department of Higher Education issued $11,925 thousand in general obligation advance refunding bonds to advance refund $11,390 thousand of series 1982A bonds. In August 1978, outstanding bonds were defeased. At June 30, 1986, the following outstanding bonds were considered defeased:

XI-G 1975F	$1,345 thousand
XI-F(1) 1975 A	1,430 thousand
XI-F(1) 1975 C	6,110 thousand

The money from the sale of the advance refunding bonds was placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The amount of such purchases including their interest rates and maturity dates has provided funds to pay the interest and principal when due on the refunded bonds to and including the dates irrevocably fixed for redemption and to pay the principal amounts of the refunded bonds to be redeemed on such irrevocable redemption dates.

Series 73 bonds with Department of Veteran's Affairs have a maturity value of $740,000 thousand. Because they have variable interest rates, the interest requirements are not included in the following schedule.

STATE OF OREGON
SUMMARY OF GENERAL OBLIGATION BOND DEBT SERVICE

(Expressed in Thousands)

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL REQUIRED
1987	$ 251,248	$ 413,999	$ 665,247
1988	259,449	399,150	658,599
1989	252,917	384,338	637,255
1990	265,107	370,127	635,234
1991	286,811	354,577	641,388
1992-96	1,482,309	1,480,098	2,962,407
1997-2001	1,230,514	955,681	2,186,195
2002-06	858,799	527,828	1,386,627
2007-11	475,814	190,363	666,177
2012-16	572,015	189,181	761,196
2017-21	418,645	17,553	436,198
2022-26	22,740	4,978	27,718
TOTALS	$6,376,368	$5,287,873	$11,664,241
Accreted Interest	826		
Bond (Discount) Premium	(9,342)		
Total Liability (Page 13)	$6,367,852		

HOUSING DIVISION
SUMMARY OF REVENUE BOND DEBT SERVICE

(Expressed in Thousands)

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL REQUIRED
1987	$ 22,780	$ 39,196	$ 61,976
1988	20,635	37,469	58,104
1989	20,365	36,112	56,477
1990	20,120	34,723	54,843
1991	20,270	33,286	53,556
1992-96	106,095	143,039	249,134
1997-2001	71,047	133,315	204,362
2002-06	94,694	108,935	203,629
2007-11	109,030	84,804	193,834
2012-16	22,285	97,361	119,646
2017-21	549	12,067	12,616
TOTALS	$507,870	$760,307	$1,268,177
Accreted Interest	4,439		
Bond (Discount) Premium	(568)		
Total Liability (Page 13)	$511,741		

K. Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 1986, follows:

(Expressed in Thousands)

	Receivables	Payables
General Fund	$37,014	$36,713
Special Revenue Funds	15,679	21,871
Debt Service Funds	-	-
Capital Projects Funds	1,358	48
Enterprise Funds	596	17,714
Internal Service Funds	8	180
Trust and Agency Funds	5,787	5,652
College and University Funds	21,776	40
Total	$82,218	$82,218

L. Advances to/from Other Funds

Advances are noncurrent loans within the reporting entity. The State of Oregon has arranged various advances between funds and account groups:

	Advances to Other Funds	Advances from Other Funds
General Fund	$56,179	$ -
Special Revenue Fund	980	-
Enterprise Fund	5,149	3,431
Internal Service Fund	1,117	7,405
Trust and Agency Fund	-	10
General Long-Term Debt	-	52,579
	$63,425	$63,425

Analysis of the advances within the General Long-Term Debt Account Group indicates the following funds participated:

General Fund	$ 513
Special Revenue Fund	52,066
	$52,579

To date no provision has been made to settle the $50,980 thousand advance. In addition, interest of $10,281 thousand has accrued. Because plans have not been made to repay the advance, the interest liability has not been included in the report.

M. Insurance

The Department of General Services administers property and casualty insurance programs for state agencies. The following statewide insurance coverages are provided to all state agencies:

The Insurance Fund established under ORS Chapter 278 and Section 2 of Chapter 731, 1985 Laws provides a self insurance program for loss or damage to state property caused by specified perils. A commercial reinsurance policy with limits of $100 million provides financial stability to the fund in the event of catastrophic losses.

The Insurance Fund established under ORS Chapter 278 and Section 2 of Chapter 731, 1985 Laws provides a self insurance program for Tort liability claims brought against the State and its officers, employes and agents under ORS 30.260 to ORS 30.300. Self insurance coverage is also provided for vehicle liability arising out of the use of owned, leased or controlled vehicles.

ORS 30.270 limits the liability of the State and its officers, employes and agents to:

1. $50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages arising out of single accident or occurrence.

2. $100,000 to any claimant for all other claims arising out of a single accident or occurrence.

3. $300,000 for any number of claims arising out of a single accident or occurrence.

All employes, including elected officials and members of boards and commissions are covered under the blanket honesty and faithful performance bond. The current bond provides indemnity limits of $100,000 per employe plus $5 million per occurrence. Additional per employe limits of from $100,000 to $300,000 are provided for the State Treasurer's Office, the Director of the Department of Transportation, and employes of the State Fair and Exposition Center.

The Department administers the procurement of workers' compensation coverage for the State from SAIF Corporation.

Various specific insurance policies are purchased when an agency has a particular insurance requirement not covered by the statewide self-insurance program.

The long-term liabilities of the Internal Service Fund include $16,461 thousand in reported insurance claims, unreported (but anticipated) claims, and legal expense relative to the claims. The estimates for unreported claims were determined using historical data of the self-insurance funds.

N. SAIF Claim Loss Liability

The liability for claim and claim adjustment expenses is based on past experience (except for certain awarded claims which are determined on a case basis) and includes provision for reported claims, claims incurred but not reported, and claims that are currently considered to be closed but which experience indicates will be reopened.

SAIF follows the practice of discounting certain claim reserves to their present value. Reserves so discounted include only those of a long-term nature wherein the future payment amounts are reasonably fixed and/or determinable and those where the amounts and timing of future payments can be determined with reasonable confidence. The interest rate assumptions in the discount process as applied by SAIF are seven percent for the individually awarded claims and three and one-half percent for all other discounted reserves.

O. Segment Information for Enterprise Funds

(Expressed in Thousands)

	COMMERCE HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY	LIQUOR COMMISSION	ENERGY	WATER RESOURCES	PUBLIC WORKS	STATE ACC. INSURANCE	OTHER
Primary Type of Service	Make Loans	Make Loans	Patient Care	Ticket Sales	Liquor Sales	Make Loans	Make Loans	Make Loans	Insurance Sales	Misc.
Operating Revenue	$ 59,039	$ 417,540	$ 55,540	$ 88,656	$ 78,820	$ 10,151	$ 1,991	$ 574	$ 294,027	$10,342
Depreciation and Amortization Expense	$ 42	$ 533	$ 1,960	$ 290	$ 277	$ 3	$ 2	$ -	$ 1,577	$ 398
Operating Income (Loss)	$ 3,395	$ (27,919)	$(37,213)	$ 26,710	$ 43,797	$ (17)	$ (252)	$ (429)	$ (15,813)	$ 2,267
Federal Revenue	$ 408	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 758
Operating Transfers-In (Out)	$ -	$ -	$ 45,122	$(27,981)	$(42,505)	$ -	$ -	$10,895	$ -	$ 4,180
Tax Revenues	$ -	$ -	$ -	$ -	$ 10,835	$ -	$ -	$ -	$ -	$ -
Net Income (Loss)	$ 3,395	$ (27,919)	$ 7,909	$ (2,079)	$ 1,292	$ (17)	$ (252)	$10,466	$ 42,213	$ 6,447
Plant, Property, and Equipment										
Additions	$ 77	$ 149	$ 1,806	$ 946	$ 417	$ 6	$ 3	$ 5	$ 2,491	$ 496
Deletions	$ 17	$ 66	$ 552	$ -	$ 141	$ 1	$ -	$ -	$ -	$ 5
Net Working Capital	$(45,416)	$ 898,216	$ 8,417	$ (2,720)	$ 1,126	$ 6,898	$ (700)	$10,463	$ 91,994	$ 4,144
Total Assets	$682,145	$5,945,874	$ 46,777	$ 11,074	$ 34,358	$117,887	$24,947	$10,628	$1,076,296	$29,843
Bonds and Other Long-Term Liabilities Payable from Operations	$586,304	$5,580,606	$ 2,320	$ 128	$ 200	$104,113	$23,126	$ 2	$ 848,326	$ 3,301
Total Fund Equity	$ 47,917	$ 8,588	$ 27,489	$ (1,949)	$ 18,656	$ 105	$ 269	$10,466	$ 159,107	$25,363

P. Commitments and Contingencies

1. Capital project commitments as of June 30, 1986 were approximately $5,600 thousand. Information on College and University Fund capital project commitments was not available at yearend.

   Some of the buildings such as the one occupied by the Employment Division, were either paid for or were leased utilizing, at least in part, federal funds which may create a federal equity in the property. Any federal equities in the State's fixed assets cannot be determined at this time and are not reflected in this report.

2. Leases

   Financial reporting and accounting procedures differ between operating leases and capital leases. Operating leases are rental agreements, and payments are chargeable as rent in the services and supplies expenditure category. Capital leases are treated similar to purchases on contract. The property is capitalized at the present value when the lease is incurred and a corresponding liability is recorded.

   If the Oregon Legislature should disallow the necessary funding for particular leases, all lease agreements contain termination clauses which provide for cancellation of the lease at the end of a fiscal year.

   The liability for capital leases of real property is included in the financial report.

   The State has entered into various leases for real property and personal property.

   Personal property operating leases and capital leases are incurred at the agency level. Payment information for leases of personal property was not determinable at the time of this report.

   The minimum future lease payments of real property for the next five years are:

	Capital Leases	Operating Leases	Annual Total
Fiscal year ending:			
June 30, 1987	$ 398,873	$2,015,499	$2,414,372
June 30, 1988	399,824	1,544,475	1,944,299
June 30, 1989	301,978	541,178	843,156
June 30, 1990	252,609	353,771	606,380
June 30, 1991	252,666	354,822	607,488
Total	$1,605,950	$4,809,745	$6,415,695

Lease obligations decrease each year because of lease expirations. It is expected these leases will be replaced with leases which have higher rental rates due to inflationary pressures.

3. Unemployment Benefits

   State departments are subject to the Department of Employment Act. State employes who qualify are entitled to benefit payments during periods of unemployment. Each state department is required to reimburse the Employment Division for benefit payments made to their former employes. There appears to be no practical method of estimating the amount of future benefit payments which may be made to former employes for wage credits earned prior to June 30. Consequently, this potential obligation is not included in the accompanying financial statements. However, the total expenditure for the year is $2,663 thousand.

4. Pending litigation as of June 30, 1986, that exceeded $25,000 thousand individually included:

   a. Eckles v. State of Oregon - The suit challenges the $81,000 thousand transfer from SAIF Corporation to the General Fund. Liability to the State is remote.

   b. Penk v. State of Oregon - The suit involves individual and class claims alleging sex discrimination and totalling $25,000 thousand. The court held in favor of three of the individual claimants whose claims equal approximately $12 thousand. It ruled against the class claim and remaining individual claims. The appeal is pending and liability to the State is remote.

   c. Cole v. Murchison - The case involves a prison inmate seeking $41,000 thousand damages from 24 defendants, mostly Circuit Court judges. The appeal is pending and liability to the State is remote.

   d. Out of state insurance companies filed petitions seeking rulings from the Oregon Insurance Commissioner that they were entitled to refunds on taxes paid on gross premium taxes for the years between 1970 and 1981. The possible liability is $200,000 thousand.

   e. Mills v. State of Oregon - This case involves $3.9 billion damages resulting from alleged defamation. Liability to the State is remote.

5. A loss contingency is reasonably possible for claims against the Workers' Reemployment and Handicapped Workers Reserves estimated at $2,061 thousand and $27,393 thousand, respectively.

6. Federal Grants

The State receives federal moneys for specific purposes that are subject to review and audit. Although such audits may generate expenditure disallowances, it is believed that any required reimbursements will not be material.

Q. Violation of Legal Provisions

During fiscal year 1986, the Lottery Commission violated Oregon Statutes and the Constitution. Their administrative expenses were 17.33% of total revenues, exceeding the 16% limit by $1,173 thousand.

The Job Training Partnership Act of 1982 (JTPA) requires all recipients to accept responsibility for repayment of federal funds that are expended in violation of its provisions. Attorney General Opinion Request OP-6032 advises the state cannot assume liability for misuse of federal funds, no matter how remote the possibility of actual liability, unless the total potential liability is covered by insurance or other available and uncommitted funds. At June 30, 1986, $14,646 thousand JTPA funds had been requested in excess of the $5,000 thousand insurance coverage. The liability represents a violation of Oregon Constitution.

R. Subsequent events

1. The following bonded debt has been incurred since June 30, 1986:

a. July 1986, Board of Higher Education, $14,350 thousand.

b. July 1986, Department of Energy, $8,000 thousand.

2. In October 1986, Eckles v. State of Oregon lawsuit was settled. The court ruled that SAIF Corporation was a public corporation, not a private corporation.

3. Between July 1, 1986 and November 26, 1986, $20,176 thousand additional JTPA funds were drawn by the State of Oregon.

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES

Deschutes River and Three Sisters near Redmond, Oregon, Deschutes County

GENERAL FUND

The General Fund accounts for ordinary operations financed by appropriations from general revenues and used for general governmental purposes.

STATE OF OREGON
COMBINING BALANCE SHEET
GENERAL FUND

(Expressed in Thousands)

	JUNE 30,	
	1986	1985
ASSETS		
Cash and Investments	$177,850	$240,026
Accounts Receivable	4,385	8,420
Interest Receivable	4,564	7,015
Interfund Receivables	37,014	24,161
Taxes Receivable	161,642	174,922
Inventories	11,128	12,168
Prepaid Expenses	17	8
Contracts, Mortgages, and Notes Receivable	-	5,476
Advances to Other Funds	56,179	-
Total Assets	$452,779	$472,196
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts Payable	$ 73,117	$193,787
Interfund Payables	36,713	18,806
Due to Other Governments	5,347	-
Deferred Income	101,175	153,488
Vacation Payable	4,314	3,570
Total Liabilities	$220,666	$369,651
Fund Equity		
Reserve for Inventories	$ 11,128	$ 12,168
Reserve for Advances to Other Funds	56,179	-
Reserves - Other	18	8
Fund Balance - Unreserved	164,788	90,369
Total Fund Equity	$232,113	$102,545
Total Liabilities and Fund Equity	$452,779	$472,196

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES
GENERAL FUND

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,	
	1986	1985
Revenue		
Income Taxes	$1,472,103	$1,325,149
Selective Sales and Use Taxes	66,561	52,734
Gross Receipts Business Taxes	44,461	38,268
Inheritance and Gift Taxes	25,937	29,201
Severance Taxes	1,991	2,049
Business Licenses and Fees	5,347	5,171
Nonbusiness Licenses and Fees	11,385	1,145
Federal Revenues	97	118
Charges for Services	6,194	6,142
Fines and Forfeitures	14,211	20,287
Rents and Royalties	136	132
Interest Income	25,212	24,564
Sales Income	3,024	3,437
Other Revenue	10,260	12,859
Total Revenue	$1,686,919	$1,521,256
Other Financing Sources (Uses)		
Operating Transfers-in	29,593	34,264
Operating Transfers-out	(919,841)	(923,842)
Loan Repayments	436	-
Leases Incurred	883	729
Net Revenue	$ 797,990	$ 632,407

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF EXPENDITURES
GENERAL FUND

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,	
	1986	1985
EXPENDITURES BY CATEGORY		
Personal Services	$264,939	$242,320
Services and Supplies	104,552	94,827
Capital Outlay	10,357	11,651
Special Payments	349,385	324,207
Debt Service	-	168
Total Expenditures by Category	$729,233	$673,173
EXPENDITURES BY PROGRAM		
Economic Development and Consumer Services	$ 21,606	$ 19,913
Education	104,811	96,863
Human Resources	398,826	364,691
Natural Resources	23,737	21,196
Public Safety	53,658	49,278
Transportation	3,538	3,970
Administration and Support	39,277	38,093
Legislative	9,777	13,582
Judicial	74,003	65,587
Total Expenditures by Program	$729,233	$673,173

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN GENERAL FUND EQUITY

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,	
	1986	1985
Fund Equity - Beginning	$102,545	$141,944
Revenues	797,990	632,407
Expenditures	(729,233)	(673,173)
Changes in Reserves		
Increase in Reserves for Advances to Other Funds	56,179	-
Decrease in Reserve for Inventories	(1,040)	1,396
Increase in Reserves - Other	11	(29)
Prior Period Adjustment	5,661	-
Fund Equity - Ending	$232,113	$102,545

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND

(Expressed in Thousands)

	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Income Taxes	$2,770,068	$1,347,606	$1,422,462
Selective Sales and Use Taxes	140,245	66,561	73,684
Gross Receipts Business Taxes	88,457	44,462	43,995
Inheritance and Gift Taxes	44,200	25,937	18,263
Severance Taxes	4,152	1,991	2,161
Business Licenses and Fees	10,690	5,347	5,343
Nonbusiness Licenses and Fees	21,477	11,385	10,092
Federal Revenues	-	97	(97)
Charges for Services	9,039	6,152	2,887
Fines and Forfeitures	25,608	12,479	13,129
Rents and Royalties	-	136	(136)
Interest Income	52,000	25,201	26,799
Sales Income	5,887	2,727	3,160
Other Revenue	27,945	9,564	18,381
Total Revenue	$3,199,768	$1,559,645	$1,640,123
Expenditures			
Personal Services	$ 551,726	$ 261,804	$ 289,922
Services and Supplies	198,262	103,834	94,428
Capital Outlay	12,236	7,537	4,699
Special Payments	2,066,258	1,024,858	1,041,400
Total Expenditures	$2,828,482	$1,398,033	$1,430,449
Excess (Deficiency) of Revenues over Expenditures	$ 371,286	$ 161,612	$ 209,674
Other Financing Sources (Uses)			
Operating Transfers-in - Interfund	59,548	29,593	29,955
Operating Transfers-out - Interfund	(519,563)	(249,209)	(270,354)
Loan Repayments	-	436	(436)
Excess (Deficiency) of Revenues over Expenditures and Other Uses	$ (88,729)	$ (57,568)	$ (31,161)
Fund Equity Beginning		102,545	
Adjustments recorded during the year but charged to prior biennia:			
Revenue		9,988	
Expenditures		(7,390)	
Increase (Decrease) in Reserves			
Inventories		(1,040)	
Advances to Other Funds		56,179	
Other		11	
GAAP Reclassification of Fund Equity		123,727	
Prior Period Adjustment		5,661	
Fund Equity Ending		$ 232,113	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations.

STATE OF OREGON
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

(Expressed in Thousands)

	ECON. DEV. & CONSUMER SERVICES	EDUCATION	HUMAN RESOURCES	NATURAL RESOURCES
ASSETS				
Cash and Investments	$125,135	$15,617	$27,100	$128,874
Securities Held in Trust	-	-	-	-
Advances Receivable	68	3	25	316
Interest Receivable	2,141	27	184	40
Accounts Receivable	5,480	23,573	46,818	12,547
Interfund Receivables	501	6,482	1,794	146
Inventories	1,287	1,113	1,048	6,374
Prepaid Expenses	19	-	4	465
Advances to Other Funds	24	-	-	306
Contracts, Notes, and Mortgages Receivable	1,007	-	14	11,026
Total Assets	$135,662	$46,815	$76,987	$160,094
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts and Interest Payable	$ 17,264	$18,159	$45,328	$ 13,677
Interfund Payables	906	438	10,532	2,154
Trust Funds Payable	-	2	52	519
Vacation Payable - Short Term	740	93	1,517	734
Deferred Income	1,113	13,830	6,297	3,719
Total Liabilities	$ 20,023	$32,522	$63,726	$ 20,803
Fund Equity				
Reserve for Inventories	$ 1,287	$ 1,113	$ 1,048	$ 6,374
Reserve for Revolving Accounts	223	10	243	126
Reserve for Receivables	-	-	-	12,584
Reserve for Advances to Other Funds	24	-	-	306
Reserves - Other	19	-	4	11
Fund Balance - Unreserved	114,086	13,170	11,966	119,890
Total Fund Equity	$115,639	$14,293	$13,261	$139,291
Total Liabilities and Fund Equity	$135,662	$46,815	$76,987	$160,094

PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	JUNE 30, 1986	1985
$4,631	$ 62,427	$ 49,186	$1,467	$1,039	$415,476	$270,529
-	5,229	-	-	-	5,229	-
30	695	2	-	112	1,251	1,183
1	468	-	-	-	2,861	1,867
861	47,156	3,513	56	1	140,005	119,358
982	784	4,990	-	-	15,679	92,050
18	17,806	46	173	-	27,865	18,841
-	-	-	-	-	488	511
-	650	-	-	-	980	-
-	6,351	62,109	-	-	80,507	183,991
$6,523	$141,566	$119,846	$1,696	$1,152	$690,341	$688,330
$1,461	$ 56,639	$ 23,373	$ 73	$ 629	$176,603	$123,798
73	1,257	6,170	-	341	21,871	108,941
69	5,229	3,187	2	-	9,060	1,996
143	1,663	69	2	-	4,961	4,368
-	16,657	222	-	-	41,838	197,208
$1,746	$ 81,445	$ 33,021	$ 77	$ 970	$254,333	$436,311
$ 18	$ 17,806	$ 46	$ 173	$ -	$ 27,865	$ 18,841
106	875	-	-	75	1,658	1,562
-	-	61,936	-	-	74,520	-
-	650	-	-	-	980	-
-	-	-	-	-	34	30
4,653	40,790	24,843	1,446	107	330,951	231,586
$4,777	$ 60,121	$ 86,825	$1,619	$ 182	$436,008	$252,019
$6,523	$141,566	$119,846	$1,696	$1,152	$690,341	$688,330

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
SPECIAL REVENUE FUNDS

(Expressed in Thousands)

	ECONOMIC DEV. & CONSUMER SERV.	EDUCATION	HUMAN RESOURCES	NATURAL RESOURCES
Revenue				
Selective Sales and Use Taxes	$102,098	$ -	$ -	$ -
Gross Receipts Business Taxes	4,808	-	-	-
Employer - Employe Taxes	123,395	13	-	-
Severance Taxes	-	-	-	-
Other Taxes	-	-	-	-
Business Licenses and Fees	14,506	611	3,392	3,095
Nonbusiness Licenses and Fees	8,308	-	2,092	22,684
Federal Revenues	24,651	98,771	483,500	28,378
Charges for Services	6,138	3,594	17,503	12,231
Fines and Forfeitures	721	-	(401)	-
Rents and Royalties	4	62	40	14
Interest Income	8,802	973	428	169
Sales Income (Net)	2,288	864	2,137	23,560
Donations and Grants (Nonfederal)	15	5,074	83	14
Other Revenue	1,466	(428)	5,106	3,582
Total Revenue	$297,200	$ 109,534	$513,880	$ 93,727
Expenditures				
Personal Services	$ 48,666	$ 5,358	$111,603	$ 41,100
Services and Supplies	102,824	6,449	46,739	24,203
Capital Outlay	1,224	735	2,814	2,811
Special Payments	26,246	559,920	360,716	19,092
Debt Service	4	-	133	27
Total Expenditures	$178,964	$ 572,462	$522,005	$ 87,233
Excess (Deficiency) of Revenue Over Expenditures	$118,236	$(462,928)	$ (8,125)	$ 6,494
Other Financing Sources (Uses)				
Operating Transfers-in - Interfund	$ 5,320	$ 466,668	$ 16,072	$ 5,980
Operating Transfers-out - Interfund	(93,355)	(4,282)	(4,984)	(10,070)
Loan Repayments	-	1,405	-	42
Loan Proceeds	-	-	-	-
Leases Incurred	-	2	119	11
Total Other Financing Sources (Uses)	$(88,035)	$ 463,793	$ 11,207	$ (4,037)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 30,201	$ 865	$ 3,082	$ 2,457
Fund Equity - Beginning	85,376	12,371	10,163	36,478
Increase (Decrease) in Reserves				
Inventories	24	1,055	3	196
Revolving Accounts	10	2	(11)	1
Reserve for Receivables	-	-	-	12,904
Advances to Other Funds	24	-	-	306
Other	4	-	(4)	-
Accounting Change	-	-	-	86,273
Prior Period Adjustments	-	-	28	676
Fund Equity - Ending	$115,639	$ 14,293	$ 13,261	$139,291

PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	FISCAL YEAR ENDED JUNE 30, 1986	1985
$ -	$ 136,096	$ 10,334	$ -	$ -	$ 248,528	$ 212,435
-	-	335	-	-	5,143	5,359
-	-	-	-	-	123,408	108,759
-	-	443	-	-	443	358
-	-	13,440	-	-	13,440	13,756
217	662	100	-	-	22,583	19,545
-	67,191	1,266	-	10,043	111,584	92,668
5,174	185,487	131,405	-	-	957,366	930,569
1,422	28,203	4,674	39	-	73,804	82,228
581	10	1	1	819	1,732	878
391	2,271	-	469	-	3,251	3,362
9	6,624	916	-	-	17,921	18,298
239	4,674	88	994	129	34,973	32,292
2	-	519	-	26	5,733	2,867
192	1,205	26,937	33	200	38,293	7,086
$ 8,227	$ 432,423	$ 190,458	$ 1,536	$11,217	$1,658,202	$1,530,460
$10,197	$ 140,254	$ 4,213	$ 220	$ -	$ 361,611	$ 322,662
3,804	305,365	1,989	1,400	60	492,833	466,596
694	8,913	315	36	1	17,543	14,868
2,951	88,054	334,898	-	-	1,391,877	1,376,944
-	222	-	-	7,233	7,619	65
$17,646	$ 542,808	$ 341,415	$ 1,656	$ 7,294	$2,271,483	$2,181,135
$(9,419)	$(110,385)	$(150,957)	$ (120)	$ 3,923	$ (613,281)	$ (650,675)
$11,825	$ 99,617	$ 192,104	$ 31	$ -	$ 797,617	$ 893,476
(622)	(10,067)	(49,105)	(16)	(3,896)	(176,397)	(252,152)
-	-	6,173	-	-	7,620	1,123
-	-	-	-	-	-	14,616
-	1,483	-	-	-	1,615	310
$11,203	$ 91,033	$ 149,172	$ 15	$(3,896)	$ 630,455	$ 657,373
$ 1,784	$ (19,352)	$ (1,785)	$ (105)	$ 27	$ 17,174	$ 6,698
2,987	84,930	17,959	1,675	80	252,019	251,124
(13)	1,535	25	49	-	2,874	2,112
19	-	-	-	75	96	57
-	-	12,772	-	-	25,676	-
-	650	-	-	-	960	-
-	-	-	-	-	-	(14)
-	(2,596)	53,421	-	-	137,098	-
-	(5,046)	4,433	-	-	91	(7,958)
$ 4,777	$ 60,121	$ 86,825	$ 1,619	$ 182	$ 436,008	$ 252,019

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUND

(Expressed in Thousands)

	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Selective Sales and Use Taxes	$ 490,250	$ 246,334	$ 243,916
Gross Receipts Business Taxes	10,252	5,143	5,109
Employer-Employe Taxes	120,530	67,942	52,588
Severance Taxes	600	443	157
Other Taxes	23,617	13,439	10,178
Business Licenses and Fees	59,097	21,787	37,310
Nonbusiness Licenses and Fees	199,249	98,013	101,236
Federal Revenue	1,673,851	844,410	829,441
Charge for Services	330,404	70,060	260,344
Fines and Forfeitures	886	1,051	(165)
Rents and Royalties	5,615	3,277	2,338
Interest Income	16,938	11,535	5,403
Sales Income (Net)	73,470	31,542	41,928
Donations and Grants (Nonfederal)	10,083	4,596	5,487
Other Revenue	41,060	14,254	26,806
Total Revenue	$3,055,902	$1,433,826	$1,622,076
Expenditures			
Personal Services	$ 746,378	$ 357,860	$ 388,518
Services and Supplies	1,098,289	412,787	685,502
Capital Outlay	41,709	15,588	26,121
Special Payments	1,320,883	535,797	785,086
Total Expenditures	$3,207,259	$1,322,032	$1,885,227
Excess (Deficiency) of Revenues Over Expenditures	$ (151,357)	$ 111,794	$ (263,151)
Other Financing Sources (Uses)			
Nonlimited Expenditures	-	(708,735)	708,735
Nonlimited Revenue	-	698,527	(698,527)
Operating Transfers-in	1,049,827	702,278	347,549
Operating Transfers-out	(696,561)	(532,300)	(164,261)
Transfers Out - Other	(7,438)	(148,357)	140,919
Transfers to Counties and Cities	(223,325)	(113,202)	(110,123)
Loan Repayments	12,300	6,216	6,084
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ (16,554)	$ 16,221	$ (32,775)
Fund Equity Beginning		252,019	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenue		(1,693)	
Expenditures		3,924	
Increase (Decrease) in Reserves			
Inventories		2,874	
Revolving Accounts		96	
Reserve for Receivables		25,676	
Advances to Other Funds		980	
GAAP Reclassification of Fund Equity		(1,278)	
Accounting Change		137,098	
Prior Period Adjustments		91	
Fund Equity Ending		$ 436,008	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources for and the payment of interest and principal on long-term debt other than special assessment and revenue bonds.

STATE OF OREGON
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS

(Expressed in Thousands)

		BOND ISSUE		
	CUSTODIAL SECRETARY OF STATE	COMMUNITY COLLEGE & ED. CENTER	OREGON POLLUTION CONTROL	OREGON STATE HIGHWAY
ASSETS				
Cash and Pooled Investments	$ -	$ 7	$25,800	$ -
Cash with Fiscal Agent	-	19	81	56
Interest Receivable	20	-	2,380	-
Interfund Receivable	-	-	-	-
Contracts, Mortgages & Notes Receivable	320	-	-	-
Total Assets	$ 340	$ 26	$28,261	$ 56
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts Payable	$ 20	$ -	$ -	$ -
Matured Bonds Payable	-	19	81	56
Deferred Income	-	-	-	-
Total Liabilities	$ 20	$ 19	$ 81	$ 56
Fund Equity				
Reserve for Receivables	$ 320	$ -	$ -	$ -
Fund Balance - Unreserved	-	7	28,180	-
Total Fund Equity	$ 320	$ 7	$28,180	$ -
Total Liabilities and Fund Equity	$ 340	$ 26	$28,261	$ 56

FISCAL YEAR ENDED JUNE 30,	
1986	1985
$25,807	$28,055
156	6,611
2,400	2,328
-	828
320	453
$28,683	$38,275
$ 20	$ 321
156	6,645
-	453
$ 176	$ 7,419
$ 320	$ -
28,187	30,856
$28,507	$30,856
$28,683	$38,275

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
DEBT SERVICE FUNDS

(Expressed in Thousands)

		BOND ISSUE		
	CUSTODIAL SECRETARY OF STATE	COMMUNITY COLLEGE & ED. CENTER	OREGON POLLUTION CONTROL	OREGON STATE HIGHWAY
Revenue				
Selective Sales and Use Taxes	$ -	$ -	$ -	$ -
Interest Income	68	7	9,704	-
Total Revenue	$ 68	$ 7	$ 9,704	$ -
Expenditures				
Principal	$ 136	$ 1,430	$ 7,825	$ 3,300
Interest	39	1,538	8,896	1,994
Total Expenditures	$ 175	$ 2,968	$16,721	$ 5,294
Excess Revenues Over Expenditures	$ (107)	$(2,961)	$(7,017)	$(5,294)
Other Financing Sources (Uses)				
Operating Transfers-in - Interfund	$ -	$ 2,965	$ -	$ 4,466
Operating Transfers-out - Interfund	(2)	-	(33)	-
Loan Repayments	107	-	5,207	-
Total Other Financing Sources (Uses)	$ 105	$ 2,965	$ 5,174	$ 4,466
Excess Revenues Over Expenditures and Other Uses	$ (2)	$ 4	$(1,843)	$ (828)
Fund Equity - Beginning	2	3	30,023	828
Accounting Change	320	-	-	-
Fund Equity - Ending	$ 320	$ 7	$28,180	$ -

FISCAL YEAR ENDED JUNE 30,	
1986	1985
$ -	$ 1,534
9,779	10,303
$ 9,779	$ 11,837
$ 12,691	$ 27,052
12,467	13,952
$ 25,158	$ 41,004
$(15,379)	$(29,167)
$ 7,431	$ 23,148
(35)	(44)
5,314	4,219
$ 12,710	$ 27,323
$ (2,669)	$ (1,844)
30,856	25,980
320	6,720
$ 28,507	$ 30,856

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
DEBT SERVICE FUND

(Expressed in Thousands)

	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Selective Sales and Use Taxes	$ -	$ -	$ -
Total Revenue	$ -	$ -	$ -
Expenditures			
Debt Service	$ 6,476	$ 2,961	$ 3,515
Total Expenditures	$ 6,476	$ 2,961	$ 3,515
Excess (Deficiency) of Revenues Over Expenditures	$ (6,476)	$ (2,961)	$ (3,515)
Other Financing Sources (Uses)			
Nonlimited Expenditures		(22,196)	
Nonlimited Revenues		18,022	
Operating Transfers-in - Interfund		5,934	
Operating Transfers-out - Interfund		(1,468)	
Excess (Deficiency) of Revenues Over Expenditures and Other Uses		$ (2,669)	
Fund Equity Beginning		30,856	
Accounting Change		320	
Fund Equity Ending		$ 28,507	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

CAPITAL PROJECT FUNDS

Capital Projects Funds account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by Proprietary, Special Assessment, and Trust Funds.

STATE OF OREGON
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND

(Expressed in Thousands)

	ECONOMIC DEV. & CONSUMER SERV.	EDUCATION	HUMAN RESOURCES
ASSETS			
Cash and Investments	$ -	$ (57)	$ -
Receivables	-	47	-
Interfund Receivables	-	14	76
Contracts, Mortgages, Notes Receivable Long-Term	-	-	-
Total Assets	$ -	$ 4	$ 76
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	$ -	$ 4	$ 43
Interfund Payable	-	-	-
Deferred Income	-	-	-
Total Liabilities	$ -	$ 4	$ 43
Fund Equity			
Reserve for Receivables	$ -	$ -	$ -
Fund Balance - Unreserved	-	-	33
Total Fund Equity	$ -	$ -	$ 33
Total Liabilities and Fund Equity	$ -	$ 4	$ 76

NATURAL RESOURCES	PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	JUNE 30,	
						1986	1985
$ (122)	$ 44	$ (53)	$ -	$ -	$ -	$ (188)	$ (361)
-	-	85	-	-	-	132	40
1,082	117	52	-	17	-	1,358	2,572
-	130	-	-	-	-	130	130
$ 960	$ 291	$ 84	$ -	$ 17	$ -	$ 1,432	$ 2,381
$ 53	$ -	$ 84	$ -	$ 17	$ -	$ 201	$ 1,321
48	-	-	-	-	-	48	672
-	-	-	-	-	-	-	130
$ 101	$ -	$ 84	$ -	$ 17	$ -	$ 249	$ 2,123
$ -	$ 130	$ -	$ -	$ -	$ -	$ 130	$ -
859	161	-	-	-	-	1,053	258
$ 859	$ 291	$ -	$ -	$ -	$ -	$ 1,183	$ 258
$ 960	$ 291	$ 84	$ -	$ 17	$ -	$ 1,432	$ 2,381

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
CAPITAL PROJECTS FUNDS

(Expressed in Thousands)

	ECONOMIC DEV. & CONSUMER SERV.	EDUCATION	HUMAN RESOURCES
Revenue			
Federal Revenues	$ -	$ 50	$ 86
Rents and Royalties	-	-	-
Interest Income	-	-	-
Sales Income	-	-	-
Donations and Grants (Nonfederal)	-	13	1
Other Revenue	-	-	-
Total Revenue	$ -	$ 63	$ 87
Expenditures			
Personal Services	$ -	$ -	$ 129
Services and Supplies	-	31	-
Capital Outlay	-	175	6,486
Total Expenditures	$ -	$ 206	$ 6,615
Excess (Deficiency) of Revenues Over Expenditures	$ -	$ (143)	$(6,528)
Other Financing Sources (Uses)			
Operating Transfers-in	$ -	$ 146	$ 6,460
Operating Transfers-out	-	-	-
Loan Proceeds	-	-	-
Total Other Financing Sources	$ -	$ 146	$ 6,460
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ -	$ 3	$ (68)
Fund Equity - Beginning	-	(3)	101
Prior Period Adjustment	-	-	-
Fund Equity - Ending	$ -	$ -	$ 33

NATURAL RESOURCES	PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	FISCAL YEAR ENDED JUNE 30,	
						1986	1985
$ -	$ -	$ 829	$ -	$ -	$ -	$ 965	$ 193
-	-	1	-	-	-	1	2
-	18	-	-	-	-	18	18
-	-	-	-	-	-	-	63
-	-	-	-	-	-	14	-
-	-	-	-	-	-	-	21
$ -	$ 18	$ 830	$ -	$ -	$ -	$ 998	$ 297
$ -	$ -	$ -	$ -	$ -	$ -	$ 129	$ 106
430	1	88	-	17	215	782	469
3,267	55	860	-	113	-	10,956	8,036
$ 3,697	$ 56	$ 948	$ -	$ 130	$ 215	$ 11,867	$ 8,611
$(3,697)	$ (38)	$ (118)	$ -	$ (130)	$ (215)	$(10,869)	$(8,314)
$ 4,556	$ 37	$ 52	$ -	$ 130	$ 215	$ 11,596	$ 9,212
-	-	-	-	-	-	-	10
-	17	-	-	-	-	17	19
$ 4,556	$ 54	$ 52	$ -	$ 130	$ 215	$ 11,613	$ 9,241
$ 859	$ 16	$ (66)	$ -	$ -	$ -	$ 744	$ 927
-	145	15	-	-	-	258	3,819
-	130	51	-	-	-	181	(4,488)
$ 859	$ 291	$ -	$ -	$ -	$ -	$ 1,183	$ 258

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
CAPITAL PROJECTS FUNDS

	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Federal Revenue	$ 6,532	$ 386	$ 6,146
Charges for Services	-	9	(9)
Rents and Royalties	-	2	(2)
Interest Income	-	18	(18)
Sales Income	207	-	207
Other Revenue	-	-	-
Donations and Grants	4,575	14	4,561
Total Revenue	$ 11,314	$ 429	$ 10,885
Expenditures			
Personal Services	$ 6	$ 115	$ (109)
Services and Supplies	7,788	1,520	6,268
Capital Outlay	30,171	2,676	27,495
Total Expenditures	$ 37,965	$ 4,311	$ 33,654
Excess (Deficiency) of Revenues Over Expenditures	$(26,651)	$ (3,882)	$(22,769)
Other Financing Sources (Uses)			
Operating Transfers-in - Interfund	$ 24,806	$ 4,520	$ 20,286
Operating Transfers-out - Interfund	(1,085)	(942)	(143)
Loan Proceeds	1,735	258	1,477
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ (1,195)	$ (46)	$ (1,149)
Fund Equity Beginning		258	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenue		12,163	
Expenditures		(12,407)	
GAAP Reclassification of Fund Equity		1,034	
Prior Period Adjustment		181	
Fund Equity Ending		$ 1,183	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

ENTERPRISE FUNDS

Enterprise Funds account for the provision of goods and services to the general public where all or most of the costs involved are paid in the form of charges by the users of such services.

Oregon Enterprise Fund activities are provided primarily by the eight state agencies described below:

Department of Commerce, Housing Division Their major activity is the sale of revenue bonds to make residential mortgage loans available to lower income residents of Oregon.

Department of Veterans' Affairs They provide farm and home loans and other services to war veterans of Oregon.

Department of Human Resources, Mental Health Division They operate four hospitals which provide care and training for the mentally ill, developmentally disabled and mentally retarded.

Lottery Commission They provide chances to the public which result in possible jackpot winnings. A portion of the proceeds provides financing of Economic Development projects.

Liquor Commission Activities include regulation, control, and sale of all alcoholic liquor and certain wines.

Department of Energy They provide small scale energy loans for development of renewable resource energy projects.

Water Resources Department They provide loans to residents of the State for construction of water development projects for irrigation, drainage and municipal use.

Public Works They provide grants and loans to local governmental units for infrastructure projects.

State Accident Insurance Corporation They provide insurance coverage and other services.

STATE OF OREGON
COMBINING BALANCE SHEET
ENTERPRISE FUNDS

(Expressed in Thousands)

ASSETS	COMMERCE HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
Current Assets				
Cash and Investments	$195,492	$1,054,397	$13,978	$ 489
Cash with Fiscal Agent	226	4,385	-	-
Advances Receivable	1	113	26	8
Interest Receivable	8,560	39,695	-	6
Accounts Receivable	13	1,579	7,187	8,179
Interfund Receivable	-	-	-	-
Inventories	6,498	54,079	4,341	397
Prepaid Expenses	-	-	2	13
Total Current Assets	$210,790	$1,154,248	$25,534	$ 9,092
Fixed Assets				
Land, Buildings and Improvements	$ -	$ 7,158	$42,094	$ -
Leasehold Improvements (Net)	-	3	-	200
Capital Leases (Net)	-	336	-	-
Construction in Process	-	-	1,124	-
DP Software (Net)	-	-	-	-
Equipment and Machinery	152	1,835	8,913	2,097
Less Allowance for Depreciation	(66)	(1,320)	(30,891)	(315)
Total Fixed Assets	$ 86	$ 8,012	$21,240	$ 1,982
Other Assets				
Advances to Other Funds	$ -	$ -	$ -	$ -
Contracts, Mortgages, and Mortgages Receivable	461,534	4,754,234	3	-
Deferred Charges	9,735	29,380	-	-
Total Other Assets	$471,269	$4,783,614	$ 3	$ -
Total Assets	$682,145	$5,945,874	$46,777	$11,074
LIABILITIES AND FUND EQUITY				
Current Liabilities				
Accounts Payable	$ 742	$ 5,736	$ 9,118	$ 1,071
Interest Payable	23,876	118,398	-	-
Interfunds Payable	-	-	7,185	3,866
Claim Loss Liability	-	-	-	-
Matured Bonds Payable	226	4,385	-	-
Vacation Payable - Current	-	601	665	-
Bonds Payable - Current	23,080	227,560	-	-
Notes Payable	-	-	-	-
Deferred Income	-	-	-	7,958
Total Current Liabilities	$ 47,924	$ 356,680	$16,968	$12,895
Long-Term Liabilities				
Contract, Mortgages, and Notes Payable	$ -	$ -	$ 106	$ -
Advances from Other Funds	3	-	188	-
Accreted Interest Payable	4,439	826	-	-
Vacation Payable - Long-Term	48	-	2,026	128
General Obligation Bonds Payable	97,132	5,579,402	-	-
Revenue Bonds Payable	484,682	-	-	-
Obligations - Capital Lease	-	378	-	-
Claim Loss Liability	-	-	-	-
Total Long-Term Liabilities	$586,304	$5,580,606	$ 2,320	$ 128
Total Liabilities	$634,228	$5,937,286	$19,288	$13,023
Fund Equity				
Contributed Capital	$ 100	$ -	$ 3,375	$ -
Retained Earnings - Unreserved	47,817	8,588	24,114	(1,949)
Total Fund Equity	$ 47,917	$ 8,588	$27,489	$(1,949)
Total Liabilities and Fund Equity	$682,145	$5,945,874	$46,777	$11,074

LIQUOR COMMISSION	ENERGY	WATER RESOURCES	PUBLIC WORKS	STATE ACC. INSURANCE	OTHER ENTERPRISE	JUNE 30,	
						1986	1985
$15,381	$ 28,402	$ 7,489	$10,270	$ 906,847	$ 9,225	$2,241,970	$1,573,817
-	-	68	-	-	-	4,679	-
7	-	-	-	45	-	200	461
-	1,307	235	-	17,447	16	67,266	62,714
105	-	154	-	133,789	363	151,369	120,448
-	-	-	353	-	243	596	413
16,022	-	1	-	233	4,281	85,852	94,348
76	-	-	-	45	4	140	41
$31,591	$ 29,709	$ 7,947	$10,623	$1,058,406	$14,132	$2,552,072	$1,852,242
$ 2,545	$ -	$ -	$ -	$ 8,974	$10,114	$ 70,885	$ 69,197
-	-	-	-	-	-	203	107
-	-	-	-	-	-	336	501
-	-	-	-	-	80	1,204	1,118
-	-	-	-	-	6	6	-
2,380	37	21	5	10,631	1,824	27,895	23,957
(2,158)	(6)	(11)	-	(6,778)	(5,068)	(46,613)	(42,896)
$ 2,767	$ 31	$ 10	$ 5	$ 12,827	$ 6,956	$ 53,916	$ 51,984
$ -	$ 86	$ -	$ -	$ 5,063	$ -	$ 5,149	$ -
-	88,061	16,990	-	-	8,755	5,329,577	5,412,168
-	-	-	-	-	-	39,115	9,778
$ -	$ 88,147	$16,990	$ -	$ 5,063	$ 8,755	$5,373,841	$5,421,946
$34,358	$117,887	$24,947	$10,628	$1,076,296	$29,843	$7,979,829	$7,326,172
$ 8,280	$ 12,774	$ 33	$ 160	$ 34,826	$ 690	$ 73,430	$ 73,255
-	-	317	-	-	-	142,591	140,927
6,623	-	-	-	-	40	17,714	22,786
-	-	-	-	33,726	-	33,726	1,448
-	-	68	-	-	-	4,679	-
127	5	4	-	311	42	1,755	1,570
-	890	993	-	-	-	252,523	227,000
-	-	-	-	-	-	-	330,000
472	-	137	-	-	407	8,974	2,258
$15,502	$ 13,669	$ 1,552	$ 160	$ 68,863	$ 1,179	$ 535,392	$ 799,244
$ -	$ -	$ -	$ -	$ -	$ 13	$ 119	$ 4,414
6	-	2	-	-	3,232	3,431	-
-	-	-	-	-	-	5,265	1,802
194	11	11	2	934	56	3,410	3,065
-	104,102	23,113	-	-	-	5,803,749	4,966,609
-	-	-	-	-	-	484,682	498,770
-	-	-	-	-	-	378	527
-	-	-	-	847,392	-	847,392	791,609
$ 200	$104,113	$23,126	$ 2	$ 848,326	$ 3,301	$7,148,426	$6,266,796
$15,702	$117,782	$24,678	$ 162	$ 917,189	$ 4,480	$7,683,818	$7,066,040
$ -	$ -	$ -	$ -	$ -	$ 232	$ 3,707	$ -
18,656	105	269	10,466	159,107	25,131	292,304	260,132
$18,656	$ 105	$ 269	$10,466	$ 159,107	$25,363	$ 296,011	$ 260,132
$34,358	$117,887	$24,947	$10,628	$1,076,296	$29,843	$7,979,829	$7,326,172

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
ENTERPRISE FUNDS

(Expressed in Thousands)

	COMMERCE HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
Sales Income	$ -	$ -	$ 284	$87,436
Cost of Goods Sold	-	-	-	-
Gross Profit on Sales	$ -	$ -	$ 284	$87,436
Other Income				
Selective Sales Tax	-	-	-	-
Business Licenses and Fees	69	424	-	347
Nonbusiness Licenses and Fees	34	-	-	-
Federal Revenue	408	-	-	-
Charges for Services	283	2,533	93,208	-
Fines and Forfeitures	-	-	-	52
Rents and Royalties	17	122	126	62
Interest Income	58,393	439,315	295	391
Donations and Grants (Nonfederal)	-	-	1	-
Other Revenue	2	(18)	2,390	368
Loss on Foreclosed Property (Net)	(155)	(24,819)	-	-
Gain (Loss) on Disposition of Equipment	(12)	(17)	-	-
Allowance for Returns	-	-	-	-
Fees Waived	-	-	(40,764)	-
Total Income	$59,039	$417,540	$ 55,540	$88,656
Operating Expenses				
Salaries and Wages	$ 1,095	$ 12,891	$ 78,624	$ 2,972
Services and Supplies	2,734	17,992	12,164	12,966
Special Payments	414	398	5	45,692
Interest Expense	51,359	413,645	-	26
Depreciation and Amortization	42	533	1,960	290
Total Expenses	$55,644	$445,459	$ 92,753	$61,946
Net Operating Income (Loss)	$ 3,395	$(27,919)	$(37,213)	$26,710
Operating Transfers-in	-	-	45,143	-
Operating Transfers-out	-	-	(21)	(27,981)
Net Income (Loss) Before Accounting Change	$ 3,395	$(27,919)	$ 7,909	$(1,271)
Cumulative Effect of Accounting Change	-	-	-	(808)
Net Income (Loss)	$ 3,395	$(27,919)	$ 7,909	$(2,079)
Fund Equity - Beginning	44,522	36,507	25,230	65
Capital Contributions This Year	-	-	648	-
Prior Period Adjustment	-	-	(6,298)	65
Fund Equity - Ending	$47,917	$ 8,588	$ 27,489	$(1,949)

						FISCAL YEAR ENDED JUNE 30,	
LIQUOR COMMISSION	ENERGY	WATER RESOURCES	PUBLIC WORKS	STATE ACC. INSURANCE	OTHER ENTERPRISE	1986	1985
$139,202	$ -	$ -	$ -	$ -	$ 5,054	$ 231,976	$187,018
(73,133)	-	-	-	-	(16)	(73,149)	(71,478)
$ 66,069	$ -	$ -	$ -	$ -	$ 5,038	$ 158,827	$115,540
10,835	-	-	-	-	-	10,835	10,899
1,802	9	-	-	-	1	2,652	2,417
-	-	23	-	-	1	58	115
-	-	-	-	-	758	1,166	1,440
25	38	3	-	177,876	1,996	275,962	232,805
51	-	-	-	-	-	103	62
-	-	1	-	-	1,040	1,368	1,241
-	9,733	1,964	574	114,131	1,002	625,798	554,331
-	-	-	-	-	92	93	135
-	372	-	-	1,985	414	5,513	4,595
-	-	-	-	-	-	(24,974)	(27,674)
38	(1)	-	-	35	-	43	-
-	-	-	-	-	-	-	(1,933)
-	-	-	-	-	-	(40,764)	(48,418)
$ 78,820	$10,151	$ 1,991	$ 574	$294,027	$10,342	$1,016,680	$845,555
$ 7,018	$ 421	$ 221	$ 138	$ 27,063	$ 3,568	$ 134,011	$119,099
11,874	482	80	68	23,556	4,109	86,025	67,094
15,854	-	-	797	257,644	-	320,804	235,695
-	9,262	1,940	-	-	-	476,232	439,947
277	3	2	-	1,577	398	5,082	3,689
$ 35,023	$10,168	$ 2,243	$ 1,003	$309,840	$ 8,075	$1,022,154	$865,524
$ 43,797	$ (17)	$ (252)	$ (429)	$(15,813)	$ 2,267	$ (5,474)	$(19,969)
-	-	-	10,895	-	4,463	60,501	20,331
(42,505)	-	-	-	-	(283)	(70,790)	(61,704)
$ 1,292	$ (17)	$ (252)	$10,466	$(15,813)	$ 6,447	$ (15,763)	$(61,342)
-	-	-	-	58,026	-	57,218	-
$ 1,292	$ (17)	$ (252)	$10,466	$ 42,213	$ 6,447	$ 41,455	$(61,342)
17,364	122	520	-	116,894	18,908	260,132	313,953
-	-	-	-	-	-	648	-
-	-	1	-	-	8	(6,224)	7,521
$ 18,656	$ 105	$ 269	$10,466	$159,107	$25,363	$ 296,011	$260,132

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS

(Expressed in Thousands)

	COMMERCE HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
Sources of Working Capital				
Operations:				
Net Income (Loss)	$ 3,395	$ (27,919)	$ 7,909	$ (1,271)
Items Not Requiring (Providing) Working Capital				
Depreciation and Amortization	42	533	1,960	290
LT Compensated Absences	38	-	109	63
Amortized Bond Discounts/Costs/Premiums	695	(906)	-	-
Donated Equipment	-	-	(1)	-
Accreted Interest	2,637	825	-	-
Loans Forgiven	-	-	-	-
Total Provided by Operations	$ 6,807	$ (27,467)	$ 9,977	$ (918)
Payables Reclassified to Long-Term	-	-	-	-
Disposal of Property and Equipment	8	17	46	-
Transfer of Equipment	-	-	-	-
Sale of Bonds	30,001	1,053,403	-	-
Loan Proceeds	3	-	336	-
Loan Repayments	21,531	381,578	-	-
Other Miscellaneous	1,788	9	-	-
Revaluation of Investments	-	-	-	-
Increase in Loss Reserves	-	-	-	-
Loan Reductions - Foreclosures	304	104,629	-	-
Total Provided	$ 60,442	$1,512,169	$ 10,359	$ (918)
Uses of Working Capital				
Bonds Reclassified as Current Liabilities	$ 23,080	$ 227,560	$ -	$ -
Retirement of Bonds	21,815	-	-	-
Loans Made	60,165	343,168	-	-
Construction of Buildings	-	-	782	-
Acquisition of Property and Equipment	77	149	1,024	946
Payment on Other Long-Term Liabilities	-	149	42	856
Other Miscellaneous	-	1	40	-
Premium and Discounts on Bonds	721	13,546	-	-
Bond Expense	-	29,380	-	-
Decrease in Unearned Premium Reserve	-	-	-	-
Total Applied	$105,858	$ 613,953	$ 1,888	$ 1,802
Net Increase (Decrease) in Working Capital	$(45,416)	$ 898,216	$ 8,471	$ (2,720)
Elements of Net Increase (Decrease) in Working Capital				
Cash and Investments	$(29,755)	$ 572,300	$ 8,472	$(16,266)
Receivables	185	1,025	2,299	2,703
Inventories	6,495	(21)	1,234	(1,066)
Prepaid Expenses	-	-	1	(64)
Payables	(22,341)	324,648	(3,534)	10,127
Trust and Agency Funds Payable	-	264	(1)	12
Deferred Income	-	-	-	1,834
Net Increase (Decrease) in Working Capital	$(45,416)	$ 898,216	$ 8,471	$ (2,720)

						FISCAL YEAR ENDED JUNE 30,	
LIQUOR COMMISSION	ENERGY	WATER RESOURCES	PUBLIC WORKS	STATE ACC. INSURANCE	OTHER ENTERPRISE	1986	1985
$ 1,292	$ (17)	$ (252)	$10,466	$(15,813)	$ 6,447	$ (15,763)	$ (61,342)
277	3	2	–	1,577	398	5,082	3,689
(15)	(1)	–	2	137	12	345	–
–	–	–	–	–	(82)	(293)	(448)
9	–	–	–	–	(30)	(22)	–
–	–	–	–	–	–	3,462	970
–	–	–	–	–	(192)	(192)	–
$ 1,563	$ (15)	$ (250)	$10,468	$(14,099)	$ 6,553	$ (7,381)	$ (57,131)
–	–	–	–	–	–	–	7,601
(26)	1	–	–	–	3	49	381
–	–	–	–	–	–	–	3,939
–	30,240	–	–	–	–	1,113,644	227,369
6	–	3	–	–	761	1,109	–
–	1,593	1,926	–	–	–	406,628	358,802
–	–	1	–	–	9	1,807	1,563
–	–	–	–	17,826	–	17,826	5,991
–	–	–	–	95,983	–	95,983	71,180
–	–	–	–	–	–	104,933	135,167
$ 1,543	$31,819	$ 1,680	$10,468	$ 99,710	$ 7,326	$1,734,598	$754,862
$ –	$ 890	$ 993	$ –	$ –	$ –	$ 252,523	$ 16,500
–	450	894	–	–	–	23,159	232,510
–	23,186	310	–	5,063	2,701	434,593	439,190
273	–	–	–	–	204	1,259	4,314
144	6	3	5	2,491	262	5,107	9,628
–	–	1	–	–	–	1,048	5,244
–	–	179	–	162	15	397	6,437
–	389	–	–	–	–	14,656	2,754
–	–	–	–	–	–	29,380	–
–	–	–	–	–	–	–	3,958
$ 417	$24,921	$ 2,380	$ 5	$ 7,716	$ 3,182	$ 762,122	$720,535
$ 1,126	$ 6,898	$ (700)	$10,463	$ 91,994	$ 4,144	$ 972,476	$ 34,327
$(1,962)	$ 5,872	$ 222	$10,270	$102,897	$ 3,832	$ 655,882	$153,443
(19)	252	101	353	34,973	121	41,993	(10,177)
867	–	–	–	233	703	8,445	1,873
40	–	–	–	45	4	26	(333)
2,202	774	(1,045)	(160)	(12,428)	(353)	297,890	(121,702)
–	–	–	–	(33,726)	(12)	(33,463)	12,353
(2)	–	22	–	–	(151)	1,703	(1,130)
$ 1,126	$ 6,898	$ (700)	$10,463	$ 91,994	$ 4,144	$ 972,476	$ 34,327

Prepared without audit – see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUND

(Expressed in Thousands)

	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Selective Sales and Use Taxes	$ 23,404	$ 10,839	$ 12,565
Business Licenses and Fees	3,994	1,879	2,115
Nonbusiness Licenses and Fees	12	25	(13)
Federal Revenues	120	99	21
Charge for Services	6,472	3,535	2,937
Fines and Forfeitures	-	51	(51)
Rents and Royalties	2,013	1,048	965
Interest Income	4,001	11,228	(7,227)
Sales Income (Net)	146,092	67,450	78,642
Other Revenue	503	568	(65)
Total Revenue	$186,611	$ 96,722	$ 89,889
Expenditures			
Personal Services	$ 50,417	$ 23,668	$ 26,749
Services and Supplies	45,092	20,437	24,655
Capital Outlay	1,986	903	1,083
Special Payments	28,013	1,635	26,378
Debt Service	-	37,439	(37,439)
Total Expenditures	$125,508	$ 84,082	$ 41,426
Excess (Deficiency) of Revenues Over Expenditures	$ 61,103	$ 12,640	$ 48,463
Other Financing Sources (Uses)			
Nonlimited Expenditures	-	(1,916,919)	1,916,919
Nonlimited Revenue	-	2,580,107	(2,580,107)
Operating Transfers-in	66,240	17,265	48,975
Operating Transfers-out	(76,863)	(53,793)	(23,070)
Transfers to Counties and Cities	(51,198)	(15,853)	(35,345)
Loan Repayments	-	1,593	(1,593)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ (718)	$ 625,040	$ (625,758)
Fund Equity Beginning		260,132	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenue		(5,517)	
Expenditures		10,859	
Depreciation and Amortization		(5,163)	
GAAP Reclassification of Fund Equity		(640,334)	
Accounting Change		57,218	
Prior Period Adjustments		(6,224)	
Fund Equity Ending		$ 296,011	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by an agency on a cost-reimbursement basis to any other governmental unit, whether state, federal, or local.

The Oregon activities reported in Internal Service Funds vary widely both as to type and complexity of operations. Most of the centralized services are provided by four agencies. These agencies and the services they provide or goods they sell are described below. Their operations as well as other major service operations of the State are reflected in the financial statements that follow:

Executive Department Services include accounting, collective bargaining, personnel, and data processing.

Department of General Services Services include purchasing, printing, mail, motor pool, leasing and insurance.

Department of Justice Services include legal and research.

Penitentiary Industries Manufacture and sale of furniture, machinery, and equipment.

STATE OF OREGON
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS

(Expressed in Thousands)

ASSETS	EXECUTIVE DEPARTMENT SERVICES	DEPARTMENT OF GENERAL SERVICES
Current Assets		
Cash and Investments	$ (161)	$ 39,931
Advances Receivable	2,802	2
Interest Receivable	-	514
Accounts Receivable	1,837	7,446
Interfund Receivable	-	-
Inventories	326	1,552
Prepaid Expenses	2	-
Total Current Assets	$ 4,806	$ 49,445
Fixed Assets		
Land, Buildings, and Improvements	$ -	$ 68,408
Leasehold Improvements (Net)	574	65
Capital Leases (Net)	-	1,139
Software (Net)	12	99
Construction in Process	-	2,236
Equipment and Machinery	11,451	17,014
Less: Allowance for Depreciation	(6,753)	(30,438)
Total Fixed Assets	$ 5,284	$ 58,523
Other Assets		
Advances to Other Funds	$ -	$ 1,117
Total Assets	$10,090	$109,085
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	$ 1,116	$ 4,794
Interfund Payable	-	170
Vacation Payable - Short-Term	67	173
Deferred Income	-	-
Total Current Liabilities	$ 1,183	$ 5,137
Long-Term Liabilities		
Lease Purchase Contract Payable	$ 2,071	$ -
Advances from General Fund	-	10
Advances from Other Funds	17	5,082
Obligations Under Capital Lease	-	1,525
Contracts, Mortgages, and Notes Payable	-	16,492
Vacation Payable - Long-Term	268	344
Total Long-Term Liabilities	$ 2,356	$ 23,453
Total Liabilities	$ 3,539	$ 28,590
Fund Equity		
Contributed Capital	$ -	$ 36,242
Retained Earnings - Unreserved	6,551	44,253
Total Fund Equity	$ 6,551	$ 80,495
Total Liabilities and Fund Equity	$10,090	$109,085

JUSTICE DEPARTMENT SERVICES	PEN. INDUSTRIES SALES	OTHER DATA PROC. SERVICES	MISC. INTERNAL SERVICES	JUNE 30,	
				1986	1985
$ 1,982	$ 347	$ 1,783	$ 4,141	$ 48,023	$ 48,589
9	-	-	1	2,814	1,314
-	-	-	3	517	547
1,841	333	1,447	861	13,765	12,643
-	-	-	8	8	21
180	842	223	388	3,511	8,766
-	-	-	17	19	26
$ 4,012	$ 1,522	$ 3,453	$ 5,419	$ 68,657	$ 71,906
$ -	$ 1,594	$ -	$ -	$ 70,002	$ 67,576
-	-	-	-	639	629
-	-	-	-	1,139	1,183
-	5	167	10	293	159
-	-	-	-	2,236	4,195
2,174	1,424	20,187	12,051	64,301	110,008
(1,709)	(1,429)	(8,066)	(5,658)	(54,053)	(80,689)
$ 465	$ 1,594	$12,288	$ 6,403	$ 84,557	$103,061
$ -	$ -	$ -	$ -	$ 1,117	$ -
$ 4,477	$ 3,116	$15,741	$11,822	$154,331	$174,967
$ 1,530	$ 645	$ 703	$ 810	$ 9,598	$ 12,065
-	-	-	10	180	7,143
240	44	72	147	743	696
-	10	246	-	256	286
$ 1,770	$ 699	$ 1,021	$ 967	$ 10,777	$ 20,190
$ 220	$ -	$ 5,979	$ 150	$ 8,420	$ 4,393
-	1,603	-	-	1,613	1,454
-	3	663	27	5,792	-
-	-	-	-	1,525	1,662
-	-	-	-	16,492	19,781
402	16	199	133	1,362	1,644
$ 622	$ 1,622	$ 6,841	$ 310	$ 35,204	$ 28,934
$ 2,392	$ 2,321	$ 7,862	$ 1,277	$ 45,981	$ 49,124
$ -	$ 864	$ 1,715	$ 3,580	$ 42,401	$ 57,747
2,085	(69)	6,164	6,965	65,949	68,096
$ 2,085	$ 795	$ 7,879	$10,545	$108,350	$125,843
$ 4,477	$ 3,116	$15,741	$11,822	$154,331	$174,967

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
INTERNAL SERVICE FUNDS

(Expressed in Thousands)

	EXECUTIVE DEPARTMENT SERVICES	DEPARTMENT OF GENERAL SERVICES	JUSTICE DEPARTMENT SERVICES
Sales Income	$ -	$14,118	$ -
Cost of Goods Sold	-	(11,688)	-
Gross Profit on Sales	$ -	$ 2,430	$ -
Other Income			
Licenses and Fees	-	66	13
Charges for Services	13,127	32,669	18,492
Rents and Royalties	641	11,943	3
Interest Income	-	2,971	-
Donations and Grants (Nonfederal)	-	-	-
Other Revenue	11	2,605	2
Gain (Loss) on Disposition of Equipment	186	138	41
Total Income	$13,965	$52,822	$18,551
Operating Expenses			
Salaries and Wages	$ 6,775	$ 9,971	$15,282
Services and Supplies	5,200	29,368	3,716
Interest Expense	-	396	-
Depreciation and Amortization	1,795	4,222	147
Total Operating Expenses	$13,770	$43,957	$19,145
Net Operating Income (Loss)	$ 195	$ 8,865	$ (594)
Operating Transfers-in	-	-	-
Operating Tranfers-out	(86)	(57)	-
Net Income (Loss) Before Accounting Change	$ 109	$ 8,808	$ (594)
Cumulative Effect of Accounting Change	-	(3,181)	-
Net Income (Loss)	$ 109	$ 5,627	$ (594)
Fund Equity Beginning	6,466	75,710	2,664
Capital Contributions this Year	-	-	-
Prior Period Adjustments	(24)	(842)	15
Fund Equity - Ending	$ 6,551	$80,495	$ 2,085

PEN. INDUSTRIES SALES	OTHER DATA PROC. SERVICES	OTHER MOTOR POOLS	MISC. INTERNAL SERVICES	FISCAL YEAR ENDED JUNE 30,	
				1986	1985
$ 2,544	$ -	$ -	$ -	$ 16,662	$ 21,973
(771)	-	-	-	(12,459)	(12,868)
$ 1,773	$ -	$ -	$ -	$ 4,203	$ 9,105
-	-	-	7	86	11
-	12,164	-	10,621	87,073	118,842
45	(1)	-	-	12,631	11,799
-	-	-	55	3,026	3,369
-	-	-	-	-	15
-	14	-	697	3,329	3,554
46	(886)	-	198	(277)	320
$ 1,864	$11,291	$ -	$11,578	$110,071	$147,015
$ 1,214	$ 4,753	$ -	$ 6,674	$ 44,669	$ 48,700
716	4,125	-	3,015	46,140	79,931
94	-	-	-	490	836
162	1,777	-	990	9,093	11,592
$ 2,186	$10,655	$ -	$10,679	$100,392	$141,059
$ (322)	$ 636	$ -	$ 899	$ 9,679	$ 5,956
375	-	-	291	666	1,370
-	(1,025)	-	(91)	(1,259)	(331)
$ 53	$ (389)	$ -	$ 1,099	$ 9,086	$ 6,995
-	-	(23,111)	-	(26,292)	-
$ 53	$ (389)	$(23,111)	$ 1,099	$(17,206)	$ 6,995
346	8,155	23,111	9,391	125,843	115,746
396	11	-	-	407	-
-	102	-	55	(694)	3,102
$ 795	$ 7,879	$ -	$10,545	$108,350	$125,843

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
INTERNAL SERVICE FUNDS

(Expressed in Thousands)

	EXECUTIVE DEPARTMENT SERVICES	DEPARTMENT OF GENERAL SERVICES
Sources of Working Capital		
Operations:		
Net Income (Loss)	$ 109	$ 8,808
Items Not Requiring (Providing) Working Capital		
Depreciation/Amortization	1,795	4,222
Long Term Compensated Absences	18	10
Total Provided by Operations	$ 1,922	$13,040
Contributed From Another Fund	-	-
Disposal of Property and Equipment	79	27
Loan Proceeds	225	295
Loan Repayments	-	446
Accounting Change	-	-
Total Provided	$ 2,226	$13,808
Uses of Working Capital		
Loans Made	$ -	$ 1,563
Acquisition of Property and Equipment	1,912	6,760
Payment on Loans and Contracts	753	1,820
Property Acquired From Another Fund	-	-
Total Applied	$ 2,665	$10,143
Net Increase (Decrease) in Working Capital	$ (439)	$ 3,665
Elements of Net Increase (Decrease) in Working Capital:		
Cash and Investments	$(2,019)	$ 2,097
Receivables	1,356	1,283
Inventories	173	310
Prepaid Expenses	(4)	-
Payables	55	(25)
Deferred Income	-	-
Net Increase (Decrease) in Working Capital	$ (439)	$ 3,665

JUSTICE DEPARTMENT SERVICES	PEN. INDUSTRIES SALES	OTHER DATA PROC. SERVICES	OTHER MOTOR POOLS	MISC. INTERNAL SERVICES	FISCAL YEAR ENDED JUNE 30, 1986	1985
$ (594)	$ 53	$(389)	$ -	$1,099	$ 9,086	$ 6,995
147	162	1,777	-	990	9,093	-
43	(1)	(28)	-	10	52	11,592
$ (404)	$ 214	$1,360	$ -	$2,099	$18,231	$18,587
-	396	-	-	26	422	4,127
9	13	933	-	292	1,353	306
242	152	6,530	-	54	7,498	905
-	-	-	-	1	447	-
-	-	-	2,680	-	2,680	-
$ (153)	$ 775	$8,823	$ 2,680	$2,472	$30,631	$23,925
$ -	$	$ -	$ -	$ -	$ 1,563	$ -
353	264	7,190	-	1,887	18,366	16,876
-	-	1,434	-	124	4,131	7,539
-	396	11	-	-	407	-
$ 353	$ 660	$8,635	$ -	$2,011	$24,467	$24,415
$ (506)	$ 115	$ 188	$ 2,680	$ 461	$ 6,164	$ (490)
$ (648)	$ 197	$ (466)	$ -	$ 273	$ (566)	$ 642
93	(459)	179	(18)	145	2,579	971
5	230	107	(6,147)	67	(5,255)	582
-	-	-	-	(3)	(7)	(328)
44	(129)	614	8,845	(21)	9,383	(2,074)
-	276	(246)	-	-	30	(283)
$ (506)	$ 115	$ 188	$ 2,680	$ 461	$ 6,164	$ (490)

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
INTERNAL SERVICE FUND

(Expressed in Thousands)

	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Business Licenses and Fees	$ 51	$ 53	$ (2)
Nonbusiness Licenses and Fees	42	35	7
Charge for Services	151,295	72,034	79,261
Fines and Forfeitures	17	16	1
Rents and Royalties	24,460	12,632	11,828
Interest Income	-	1	(1)
Sales Income (Net)	45,631	23,688	21,943
Other Revenue	477	148	329
Total Revenue	$221,973	$108,607	$113,366
Expenditures			
Personal Services	$ 98,799	$ 45,754	$ 53,045
Services and Supplies	58,264	27,021	31,243
Capital Outlay	12,667	7,722	4,945
Total Expenditures	$169,730	$ 80,497	$ 89,233
Excess (Deficiency) of Revenues Over Expenditures	$ 52,243	$ 28,110	$ 24,133
Other Financing Sources (Uses)			
Nonlimited Expenditures	-	(35,301)	35,301
Nonlimited Revenues	-	12,519	(12,519)
Operating Transfers-in	18,500	10,612	7,888
Operating Transfers-out	(20,836)	(9,358)	(11,478)
Loan Proceeds	-	149	(149)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 49,907	$ 6,731	$ 43,176
Fund Equity Beginning		125,843	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenue		(2,711)	
Expenditures		(3)	
Depreciation and Amortization		(9,275)	
GAAP Reclassification of Fund Equity		14,751	
Accounting Change		(26,292)	
Prior Period Adjustments		(694)	
Fund Equity Ending		$108,350	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

TRUST AND AGENCY FUNDS

Trust and Agency Funds account for resources received and held by a governmental unit as trustee or agent for individuals, private organizations, and other governmental units to be expended or invested in accordance with the conditions of the trust or agency agreement.

Fiduciary Fund financial information is shown as follows:

Pension Trust Funds

Public Employe's Retirement System - includes retirement moneys of the State of Oregon and other municipalities electing to participate in that system.

Nonexpendable Trust Funds

State Lands Trust - represents the state owned land and other assets held and operated for the benefit of public schools. Lands include approximately 800,000 acres of off-shore lands, 600,000 acres of grazing lands and 132,000 acres of timber producing lands.

Expendable Trust Funds

Employment Trusts represent funds held by the Employment Division for future payment of unemployment benefits.

Agency Funds - Includes moneys held by state agencies for redistribution to other municipalities. This includes funds held and invested for local governments by the State Treasurer.

STATE OF OREGON
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS

(Expressed in Thousands)

	PENSION TRUSTS	NONEXPENDABLE TRUSTS	
	PUB. EMPL. RETIREMENT SYSTEM	STATE LANDS	OTHER
ASSETS			
Cash and Investments	$6,831,450	$167,816	$1,193
Securities Held in Trust	-	845	-
Receivables	33,832	571	-
Interfunds Receivables	24	181	-
Interest Receivable	56,671	4,043	-
Inventories	43	4	-
Contracts, Notes, and Mortgages Receivable	-	-	-
Land, Buildings, and Improvements	-	863	-
Equipment	410	332	-
Less Allowance for Depreciation	(222)	-	-
Total Assets	$6,922,208	$174,655	$1,193
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts Payable	$ 14,432	$ 310	$ -
Due to Other Governments	14	12,114	-
Interfunds Payable	-	265	-
Trust and Agency Funds Payable	-	15,205	-
Vacation Payable - Short-term	25	61	-
Deferred Income	-	99	-
Advances from Other Funds	-	10	-
Lease Purchase Contract Payable	-	-	-
Vacation Payable - Long-term	76	44	-
Total Liabilities	$ 14,547	$ 28,108	$ -
Fund Equity			
Reserve for Public Employe Retirement System	$6,907,661	$ -	$ -
Reserve for Trust Funds	-	146,547	1,193
Invested in Fixed Assets	-	-	-
Fund Balance - Unreserved	-	-	-
Total Fund Equity	$6,907,661	$146,547	$1,193
Total Liabilities and Fund Equity	$6,922,208	$174,655	$1,193

EXPENDABLE TRUSTS			JUNE 30,	
EMPLOYMENT	OTHER	AGENCY FUNDS	1986	1985
$ 256,014	$7,213	$ 697,995	$7,961,681	$5,720,216
182	-	679,486	680,513	648,028
92,899	792	30,032	158,126	160,765
-	-	5,582	5,787	41,535
35	39	184	60,972	56,810
-	-	-	47	32
26,624	279	24,262	51,165	48,493
-	-	1,720	2,583	2,635
-	120	406	1,268	1,139
-	-	-	(222)	(184)
$ 375,754	$8,443	$1,439,667	$8,921,920	$6,679,469
$ 961	$ 8	$ 1,062	$ 16,773	$ 30,834
1,612	2	39,630	53,372	74,804
-	21	5,366	5,652	3,232
258	481	1,393,609	1,409,553	1,352,389
-	-	-	86	85
26,624	279	-	27,002	25,197
-	-	-	10	-
-	-	-	-	1
-	-	-	120	97
$ 29,455	$ 791	$1,439,667	$1,512,568	$1,486,639
$ -	$ -	$ -	$6,907,661	$4,758,910
-	-	-	147,740	130,914
-	120	-	120	119
346,299	7,532	-	353,831	302,887
$ 346,299	$7,652	$ -	$7,409,352	$5,192,830
$ 375,754	$8,443	$1,439,667	$8,921,920	$6,679,469

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY
EXPENDABLE TRUST FUNDS

(Expressed in Thousands)

			FISCAL YEAR ENDED	
	EMPLOYMENT	OTHER	1986	1985
Revenue				
Employer - Employe Taxes	$298,309	$ -	$298,309	$287,846
Other Taxes	-	871	871	941
Federal Revenues	10,425	-	10,425	36,498
Charges for Services	-	-	-	399
Interest Income	24,657	506	25,163	20,936
Sales Income	-	46	46	-
Donations and Grants (Nonfederal)	-	557	557	453
Other Revenue	-	891	891	642
Total Revenue	$333,391	$2,871	$336,262	$347,715
Expenditures				
Personal Services	$ -	$ 33	$ 33	$ 1,608
Services and Supplies	-	1,287	1,287	2,719
Capital Outlay	-	6	6	48
Special Payments	279,850	1,192	281,042	277,951
Total Expenditures	$279,850	$2,518	$282,368	$282,326
Excess (Deficiency) of Revenues Over Expenditures	$ 53,541	$ 353	$ 53,894	$ 65,389
Other Financing Sources (Uses)				
Operating Transfers-in	$ -	$1,161	$ 1,161	$ 4,882
Operating Transfers-out	(2,599)	(515)	(3,114)	(1,283)
Loan Repayments	74	-	74	73
Total Other Financing Sources (Uses)	$ (2,525)	$ 646	$ (1,879)	$ 3,672
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 51,016	$ 999	$ 52,015	$ 69,061
Fund Equity - Beginning	296,404	6,602	303,006	239,036
Increase in Investment in Fixed Assets	-	1	1	8
Prior Period Adjustment	(1,121)	50	(1,071)	(5,099)
Fund Equity-Ending	$346,299	$7,652	$353,951	$303,006

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
PENSION TRUSTS AND NONEXPENDABLE TRUST FUNDS

(Expressed in Thousands)

	PENSION TRUSTS	NONEXPENDABLE TRUSTS		FISCAL YEAR ENDED JUNE 30,	
	PUB. EMPL. RETIREMENT SYSTEM	STATE LANDS	OTHER	1986	1985
Operating Revenues					
Contributions	$ 420,573	$ -	$ -	$ 420,573	$ 419,128
Interest Income	1,483,186	16,001	88	1,499,275	598,921
Total	$1,903,759	$ 16,001	$ 88	$1,919,848	$1,018,049
Other Income					
Nonbusiness Licenses	-	54	-	54	53
Charges for Services	-	100	-	100	61
Rents and Royalties	-	1,726	-	1,726	1,389
Sales Income	-	17,174	-	17,174	12,195
Donations and Grants (Nonfederal)	-	-	47	47	160
Other Revenue	-	2,717	-	2,717	964
Gain (Loss) on Disposition of Equipment	(1)	-	-	(1)	62
Total Income	$1,903,758	$ 37,772	$ 135	$1,941,665	$1,032,933
Operating Expenses					
Salaries and Wages	$ 2,045	$ 2,835	$ -	$ 4,880	$ 2,831
Services and Supplies	1,151	2,767	-	3,918	1,606
Depreciation	41	-	-	41	32
Benefit Payments	260,890	-	-	260,890	231,694
Distributions to Governments	-	16,037	-	16,037	15,543
Total Expenses	$ 264,127	$ 21,639	$ -	$ 285,766	$ 251,706
Net Operating Income (Loss)	$1,639,631	$ 16,133	$ 135	$1,655,899	$ 781,227
Operating Transfers-in	309	679	497	1,485	739
Operating Transfers-out	-	(534)	(84)	(618)	(3,003)
Net Income (Loss) Before Acctg. Change	$1,639,940	$ 16,278	$ 548	$1,656,766	$ 778,963
Cumulative Effect of Accounting Change	508,811	-	-	508,811	-
Net Income (Loss)	$2,148,751	$ 16,278	$ 548	$2,165,577	$ 778,963
Fund Equity - Beginning	4,758,910	130,269	645	4,889,824	4,110,050
Prior Period Adjustment	-	-	-	-	811
Fund Equity - Ending	$6,907,661	$146,547	$1,193	$7,055,401	$4,889,824

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
PENSION TRUST AND NONEXPENDABLE TRUST FUNDS

(Expressed in Thousands)

	PENSION TRUSTS	NONEXPENDABLE TRUSTS		FISCAL YEAR ENDED JUNE 30,	
	PUB. EMPL. RETIREMENT SYSTEM	STATE LANDS	OTHER	1986	1985
Sources of Working Capital					
Operations:					
Net Income (Loss)	$1,639,940	$16,278	$548	$1,656,766	$778,963
Items Not Requiring (Providing) Working Capital					
Depreciation	41	-	-	41	32
Compensated Absences	12	11	-	23	-
Total Provided by Operations	$1,639,993	$16,289	$548	$1,656,830	$778,995
Disposal of Property and Equipment	1	-	-	1	2
Loan Proceeds	-	12	-	12	-
Revaluation of Investments	508,811	-	-	508,811	-
Prior period adjustment	-	-	-	-	811
Total Provided	$2,148,805	$16,301	$548	$2,165,654	$779,808
Uses of Working Capital					
Acquisition of Property	$ 46	$ -	$ -	$ 46	$ 166
Change in Valuation of Land	-	-	-	-	19
Contract Payments made	-	3	-	3	2
Total Applied	$ 46	$ 3	$ -	$ 49	$ 187
Net Increase (Decrease) in Working Capital	$2,148,759	$16,298	$548	$2,165,605	$779,621
Elements of Net Increase (Decrease) in Working Capital					
Cash and Investments	$2,135,018	$19,283	$548	$2,154,301	$717,900
Receivables	(1,406)	688	-	(718)	(2,157)
Inventories	17	(2)	-	15	(36)
Payables	15,130	(3,121)	-	12,009	63,976
Deferred Income	-	(2)	-	(2)	(62)
Net Increase (Decrease) in Working Capital	$2,148,759	$16,298	$548	$2,165,605	$779,621

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS

(Expressed in Thousands)

	BALANCE JULY 1, 1985	ADDITIONS	DELETIONS	BALANCE JUNE 30, 1986
Assets				
Cash and Investments	$ 661,222	$1,397,652	$1,360,879	$ 697,995
Securities Held in Trust	647,055	220,185	187,754	679,486
Receivables	27,984	70,281	68,233	30,032
Interfund Receivables	41,427	555,873	591,718	5,582
Interest Receivable	204	3,766	3,786	184
Contracts, Notes and Mortgage Receivable	23,390	3,516	2,644	24,262
Land, Buildings and Improvements	1,726	-	6	1,720
Equipment	366	40	-	406
Total Assets	$1,403,374	$2,251,313	$2,215,020	$1,439,667
Liabilities				
Accounts Payable	$ 174	$ 410,224	$ 409,336	$ 1,062
Due to Other Governments	61,603	491,398	513,371	39,630
Interfund Payable	2,937	156,495	154,066	5,366
Trust Funds Payable	1,338,660	1,193,196	1,138,247	1,393,609
Total Liabilities	$1,403,374	$2,251,313	$2,215,020	$1,439,667

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
TRUST AND AGENCY FUNDS

(Expressed in Thousands)

	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Selective Sales and Use Taxes	$ 20,363	$ 11,623	$ 8,740
Gross Receipts Business Taxes	6,600	5,238	1,362
Employer-Employe Taxes	90,375	52,194	38,181
Severance Taxes	74,000	24,510	49,490
Other Taxes	1,720	871	849
Nonbusiness Licenses and Fees	93	56	37
Federal Revenue	3,763	2,601	1,162
Charge for Services	2,173	99	2,074
Rents and Royalties	3,405	1,726	1,679
Interest Income	509,743	1,506,644	(996,901)
Sales Income (Net)	31,858	17,236	14,622
Donations and Grants (Nonfederal)	70	3	67
Contributions	786,449	420,574	365,875
Other Revenue	558	1,978	(1,420)
Total Revenue	$1,531,170	$2,045,353	$ (514,183)
Expenditures			
Personal Services	$ 10,905	$ 4,861	$ 6,044
Services and Supplies	8,195	3,197	4,998
Capital Outlay	781	109	672
Special Payments	3,763	1,480	2,283
Total Expenditures	$ 23,644	$ 9,647	$ 13,997
Excess (Deficiency) of Revenues Over Expenditures	$1,507,526	$2,035,706	$ (528,180)
Other Financing Sources (Uses)			
Nonlimited Expenditures	-	(782,116)	782,116
Nonlimited Revenue	-	571,366	(571,366)
Operating Transfers-in	44,999	21,541	23,458
Operating Transfers-out	(44,995)	(21,734)	(23,261)
Transfers to Counties and Cities	(192,482)	(93,034)	(99,448)
Transfers-out - Other	-	(150)	150
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$1,315,048	$1,731,579	$ 416,531
Fund Equity Beginning		5,192,830	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenue		(8,025)	
Expenditures		(117)	
Increase (Decrease) in Reserves			
Inventories		-	
Proprietary-Type Trusts		-	
Other		1	
Depreciation		(41)	
GAAP Reclassification of Fund Equity		(14,615)	
Accounting Change		508,811	
Prior Period Adjustments		(1,071)	
Fund Equity Ending		$7,409,352	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

COLLEGE AND UNIVERSITY FUNDS

The College and University Funds account for the resources received and used to operate Oregon's institutions of higher education and medical teaching hospitals.

STATE OF OREGON
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FUNDS

(Expressed in Thousands)

	CURRENT FUNDS		
ASSETS	CURRENT GENERAL	AUXILIARY ENTERPRISE	RESTRICTED
Cash and Investments	$20,962	$ 4,844	$ (778)
Receivables	30,434	2,816	10,488
Interfund Receivables	18,898	-	38
Inventories	4,551	3,475	-
Prepaid and Deferred Expenses	3,326	226	4
Contracts, Mortgages, and Notes Receivable	-	-	-
Land, Buildings and Improvements	-	-	-
Construction in Process	-	-	-
Equipment and Machinery	-	-	-
Allowance for Depreciation	-	-	-
Total Assets	$78,171	$11,361	$17,752
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts and Interest Payable	$21,758	$ 782	$ 1,730
Interfund Payables	-	40	-
Due to Other Governments	-	-	-
Trust Funds Payable	1,394	728	-
Contract, Mortgages, and Notes Payable	-	-	-
Obligation Under Capital Lease	-	-	-
Vacation Payable - Long-Term	8,627	704	1,407
General Obligation Bonds Payable	-	-	-
Deferred Income	8,002	1,868	1,256
Total Liabilities	$39,781	$ 4,122	$ 4,393
Fund Equity			
Fund Balance - Unreserved	$38,390	$ 7,239	$13,359
Total Fund Equity	$38,390	$ 7,239	$13,359
Total Liabilities and Equity	$78,171	$11,361	$17,752

FIDUCIARY FUNDS			PLANT FUNDS			JUNE 30,	
LOAN FUNDS	ENDOWMENT FUNDS	AGENCY FUNDS	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	1986	1985
$ 2,638	$27,672	$3,440	$30,607	$38,778	$ -	$ 128,163	$113,264
2,694	-	14	1,451	1,024	-	56,921	46,825
-	48	-	2,792	-	-	21,776	85
-	-	-	-	-	-	8,026	7,130
-	-	-	-	-	-	3,556	2,880
64,133	-	-	-	-	-	64,133	63,086
-	-	-	-	-	474,688	474,688	467,178
-	-	-	-	-	16,834	16,834	6,208
-	-	-	-	-	324,791	324,791	298,693
-	-	-	-	-	(36,268)	(36,268)	(33,143)
$69,465	$27,720	$3,454	$34,850	$39,802	$780,045	$1,062,620	$972,206
$ 2	$ -	$ -	$ 1,638	$ 432	$ -	$ 26,342	$ 18,838
-	-	-	-	-	-	40	85
-	-	-	106	-	-	106	106
-	-	3,454	-	-	-	5,576	3,533
-	-	-	-	-	1,576	1,576	124
-	-	-	-	-	-	-	2,407
-	-	-	-	-	-	10,738	10,196
-	-	-	-	-	138,074	138,074	139,083
2	-	-	264	157	-	11,549	11,519
$ 4	$ -	$3,454	$ 2,008	$ 589	$139,650	$ 194,001	$185,891
$69,461	$27,720	$ -	$32,842	$39,213	$640,395	$ 868,619	$786,315
$69,461	$27,720	$ -	$32,842	$39,213	$640,395	$ 868,619	$786,315
$69,465	$27,720	$3,454	$34,850	$39,802	$780,045	$1,062,620	$972,206

See letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - ALL COLLEGE AND UNIVERSITY FUNDS

(Expressed in Thousands)

	CURRENT FUNDS		
	CURRENT GENERAL	AUXILIARY ENTERPRISE	RESTRICTED
Revenue			
Federal Revenue	$ 25,058	$ 11	$ 94,299
Charges for Services	230,445	68,610	5,823
Fines and Forfeitures	306	48	-
Rents and Royalties	621	6	6
Interest Income	361	370	3,629
Donations and Grants (Nonfederal)	2,422	981	35,443
Other Revenue	8,382	2,024	11,906
Total Revenue	$ 267,595	$72,050	$151,106
Expenditures			
Personal Services	$ 364,036	$28,200	$ 71,599
Services and Supplies	116,418	34,459	33,886
Capital Outlay	20,531	59	7,654
Special Payments	3,517	2,513	37,799
Debt Service	157	95	52
Total Expenditures	$ 504,659	$65,326	$150,990
Excess (Deficiency) of Revenues Over Expenditures	$(237,064)	$ 6,724	$ 116
Other Financing Sources (Uses)			
Transfers-in	$ 267,198	$ -	$ 615
Transfers-out	-	(5,385)	-
Bond Proceeds	-	-	-
Increase in Fixed Assets	-	-	-
Decrease in Bonds Payable	-	-	-
Total Other Financing Sources (Uses)	$ 267,198	$(5,385)	$ 615
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 30,134	$ 1,339	$ 731
Fund Equity Beginning	22,330	5,900	12,628
Prior Period Adjustment	(14,074)	-	-
Fund Equity - Ending	$ 38,390	$ 7,239	$ 13,359

FIDUCIARY FUNDS			PLANT FUNDS			FISCAL YEAR ENDED	
LOAN FUNDS	ENDOWMENT FUNDS	AGENCY FUNDS	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	1986	1985
$ 401	$ -	$ -	$ 1,274	$ 205	$ -	$ 121,248	$ 114,415
-	-	-	21	2,449	-	307,343	293,916
-	-	-	-	-	-	354	500
-	2	-	-	-	-	635	334
1,347	-	-	1,507	4,720	-	11,934	13,092
69	874	-	1,326	-	-	41,115	35,456
203	1,838	-	14,079	2,793	-	41,225	29,332
$ 2,020	$ 2,714	$	$ 18,207	$10,167	$ -	$ 523,859	$ 487,045
$ -	$ -	$ -	$ 56	$ -	$ -	$ 463,991	$ 430,561
201	-	-	11,513	65	-	196,542	181,985
-	-	-	19,429	-	-	47,673	42,329
-	-	-	-	-	-	43,829	37,967
-	-	-	491	14,382		15,177	16,084
$ 201	$ -	$ -	$ 31,499	$14,447	$ -	$ 767,112	$ 708,926
$ 1,819	$ 2,714	$ -	$(13,282)	$(4,280)	$ -	$(243,253)	$(221,881)
$ -	$ 964	$ -	$ 18,524	$ 7,837	$ -	$ 295,138	$ 275,825
(10)	-	-	-	-	-	(5,395)	(29,872)
-	-	-	6,815	-	-	6,815	-
-	-	-	-	-	41,109	41,109	40,388
-	-	-	-	-	1,964	1,964	8,168
$ (10)	$ 964	$	$ 25,339	$ 7,837	$ 43,073	$ 339,631	$ 294,509
$ 1,809	$ 3,678	$	$ 12,057	$ 3,557	$ 43,073	$ 96,378	$ 72,628
67,652	24,042	-	20,785	35,656	597,322	786,315	713,687
-	-	-	-	-	-	(14,074)	-
$69,461	$27,720	$ -	$ 32,842	$39,213	$640,395	$ 868,619	$ 786,315

See letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL ALL COLLEGE AND UNIVERSITY FUNDS

(Expressed in Thousands)

	1985-87 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenue			
Federal Revenue	$ 103,610	$ 26,500	$ 77,110
Charges for Services	360,730	186,825	173,905
Fines and Forfeitures	-	304	(304)
Interest Income	328	1,536	(1,208)
Donations and Grants (Nonfederal)	14,131	3,163	10,968
Other Revenue	13,944	6,514	7,430
Total Revenue	$ 492,743	$ 224,842	$ 267,901
Expenditures			
Personal Services	$ 722,604	$ 344,725	$ 377,879
Services and Supplies	179,752	94,596	85,156
Capital Outlay	129,371	25,466	103,905
Special Payments	18,148	12,123	6,025
Debt Service	10,695	5,483	5,212
Total Expenditures	$1,060,570	$ 482,393	$ 578,177
Excess (Deficiency) of Revenues Over Expenditures	$ (567,827)	$(257,551)	$(310,276)
Other Financing Sources (Uses)			
Nonlimited Expenditures	$ -	$(278,816)	$ 278,816
Nonlimited Revenues	-	311,476	(311,476)
Operating Transfers-in - Interfund	550,695	281,345	269,350
Operating Transfers-out - Interfund	-	(9,757)	9,757
Bond Sales/Loan Proceeds	3,880	-	3,880
Loan Repayments	14,111	6,319	7,792
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 859	$ 53,016	$ (52,157)
Fund Equity Beginning		786,315	
Transactions Recorded During The Year But Charged to Prior Biennia			
Revenue		12,588	
Expenditures		(14,681)	
GAAP Reclassification of Fund Equity		(542)	
Increase (Decrease) in Reserves			
Inventories		-	
Revolving Accounts		-	
Other		2,924	
Depreciation and Amortization		-	
Net Increase in Investment in Plant		43,073	
Prior Period Adjustments		(14,074)	
Fund Equity Ending		$ 868,619	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

GENERAL FIXED ASSETS ACCOUNT GROUP

General Fixed Assets Account Group accounts for fixed assets acquired through governmental-type funds.

STATE OF OREGON
SCHEDULE OF GENERAL FIXED ASSETS

(Expressed in Thousands)

	JUNE 30,	
	1986	1985
Land	$175,210	$139,395
Buildings	150,196	149,829
Improvements Other than Buildings	18,209	7,120
Construction in Process	12,889	7,782
Equipment and Machinery	210,166	132,445
Data Processing Software	1,139	320
Leasehold Improvements	1,080	957
Capital Leased Property	35	450
Total General Fixed Assets	$568,924	$438,298

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

General Long-Term Debt Account Group accounts for long-term debt other than those incurred in Proprietary, Special Assessment, and certain Trust Funds.

STATE OF OREGON
SCHEDULE OF GENERAL LONG-TERM DEBT

(Expressed in Thousands)

	JUNE 30,	
	1986	1985
AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM DEBT		
Amount Available in Debt Service Fund	$ 28,507	$ 30,856
Amount to be Provided - Long-Term Liabilities	58,386	10,040
Amount to be Provided - Long-Term Debt	167,113	176,999
Amount to be Provided - Vacation Payable	19,544	17,980
Total Available and to be Provided	$273,550	$235,875
GENERAL LONG-TERM DEBT PAYABLE		
Bonds Payable		
Community College and Education Center	$ 32,300	$ 33,730
Oregon Pollution Control	129,300	137,125
Oregon State Highway	33,700	37,000
Total	$195,300	$207,855
Other Long-Term Liabilities		
Advances From General Fund	51,367	621
Advances From Other Funds	1,212	-
Contracts, Mortgages, & Notes Payable	2,352	7,642
Obligations under Capital Lease	148	10
Lease Purchase Contracts Payable	3,627	1,767
Vacation Payable	19,544	17,980
Total in Long-Term Debt Account Group	$273,550	$235,875

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

Portland, Oregon is divided into east and west sides, Mt. Hood in background, Multnomah County

STATISTICAL AND ECONOMIC INFORMATION

Downtown Portland reflected by the Willamette River, Multnomah County

STATE OF OREGON
REDISTRIBUTIONS OF REVENUE
FOR THE YEAR ENDED JUNE 30, 1986

(Expressed in Thousands)

Numerous moneys are distributed biennially by the State to local governmental units and individuals. Redistributions of revenue are recorded and reported in various ways by the state agencies depending on their legislatively-approved budgets. This is a summary of the distributions that are reported as Transfers-out, Special Payments Expenditures, or Nonlimited Expenditures in the financial statements. During 1985-86 the State of Oregon made the following distributions:

	1985-86 TOTAL	NONLIMITED FUNDS	OTHER FUNDS	FEDERAL FUNDS	STATE GENERAL FUND
Cities	$ 76,053	$ 19,150	$ 42,920	$ 11,247	$ 2,736
Counties	391,293	113,733	200,674	27,696	49,190
Other Governmental Units	12,656	2,273	823	7,090	2,470
Nongovernmental Units	83,877	27,876	1,587	50,687	3,727
Individuals	1,392,047	793,232	286,311	177,154	135,350
Local School Districts	569,596	462,463	1,664	80,895	24,574
Community Colleges	64,757	-	152	4,641	59,964
Other (A)	15,001	11,439	6,239	635	(3,312)
Total	$2,605,280	$1,430,166	$540,370	$360,045	$274,699

(A) Some state agencies are using "Other" instead of the more specific classification.

STATE OF OREGON
HISTORICAL STATEMENT OF
BUDGETARY REVENUES

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,				
	1986	1985	1984	1983	1982
Income Taxes	$1,347,606	$1,473,286	$1,365,762	$1,319,803	$1,093,073
Selective Sales and Use Taxes	337,548	267,390	272,183	248,258	213,593
Gross Receipts Business Taxes	54,843	47,483	42,014	39,801	40,338
Employer - Employe Taxes	473,911	445,432	405,461	378,088	317,043
Inheritance and Gift Taxes	25,937	29,201	33,705	35,760	42,216
Severance Taxes	26,944	31,027	29,879	48,486	47,625
Other Taxes	14,310	14,698	14,125	12,768	6,846
Business Licenses and Fees	33,190	29,589	32,268	26,363	27,642
Nonbusiness Licenses and Fees	120,560	97,775	91,198	85,462	82,492
Federal Revenues	1,106,571	1,087,678	953,033	988,338	910,698
Charges for Services	517,911	568,261	570,252	524,738	464,000
Fines and Forfeitures	16,766	19,359	29,481	17,358	7,187
Rents and Royalties	19,753	18,347	18,863	16,746	21,937
Bond Sales	1,120,459	399,220	218,970	520,525	251,100
Interest Income	1,492,935	1,236,156	1,028,705	931,077	683,229
Sales Income	368,690	308,923	278,498	247,786	233,695
Cost of Goods Sold	(164,782)	(151,724)	(150,553)	(125,679)	(80,157)
Donations and Grants (Nonfederal)	47,545	39,179	39,868	35,458	36,225
Contributions (Retirement)	818,261	781,698	720,416	692,798	700,085
Loan Repayments	532,282	507,035	451,564	407,478	268,507
SAIF Assessment	-	-	-	81,000	-
Workers' Compensation Premiums	177,875	139,607	169,247	*	237,497*
Other Revenue	170,210	74,643	70,785	94,223	68,917
Loan Proceeds	502	14,642	13,349	-	4,785
Revenue Transfers (Net)	112,408	77,700	174,182	76,916	46,758
Total Revenue	$8,772,235	$7,556,605	$6,873,255	$6,703,551	$5,487,834

*Included in Employer - Employe Taxes

STATE OF OREGON
HISTORICAL STATEMENT OF BUDGETARY EXPENDITURES BY BUDGET AUTHORITY

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,				
	1986	1985	1984	1983	1982
STATE GENERAL FUND EXPENDITURES					
Personal Services	$ 461,138	$ 416,795	$ 386,337	$ 342,682	$ 362,855
Services and Supplies	139,856	130,741	112,291	93,636	88,470
Capital Outlay	27,105	29,742	17,196	8,158	10,704
Special Payments	1,021,333	1,001,214	982,223	937,540	1,009,738
Debt Service	5,364	5,378	6,868	2,888	5,772
Total General Fund	$1,654,796	$1,583,870	$1,504,915	$1,384,904	$1,417,539
OTHER FUND EXPENDITURES					
Personal Services	$ 457,599	$ 499,609	$ 501,771	$ 474,562	$ 418,665
Services and Supplies	473,775	505,043	460,705	437,581	439,940
Capital Outlay	38,703	40,712	26,861	35,938	23,098
Special Payments	336,996	316,208	244,187	82,108	42,327
Debt Service	5,415	23,935	26,126	11,877	9,512
Total Other Funds	$1,312,488	$1,385,507	$1,259,650	$1,042,066	$ 933,542
FEDERAL FUND EXPENDITURES					
Personal Services	$ 122,485	$ 119,910	$ 120,839	$ 118,280	$ 118,379
Services and Supplies	54,354	50,689	43,514	42,068	40,565
Capital Outlay	6,222	6,201	4,527	2,764	2,473
Special Payments	487,405	452,529	387,767	375,773	326,840
Total Federal Funds	$ 670,466	$ 629,329	$ 556,647	$ 538,885	$ 488,257
NONLIMITED FUND EXPENDITURES					
Personal Services	$ 231,844	$ 133,442	$ 124,364	$ 98,810	$ 95,283
Services and Supplies	266,293	218,813	192,811	167,037	143,010
Capital Outlay	26,512	16,246	12,238	8,603	9,811
Special Payments	1,841,715	1,688,059	1,724,978	1,714,847	1,805,799
Debt Service	1,063,434	880,634	697,390	627,050	575,489
Other	28,794	30,432	26,476	24,276	3,133
Total Nonlimited Funds	$3,458,592	$2,967,626	$2,778,257	$2,640,623	$2,632,525
Total Expenditures	$7,096,342	$6,566,332	$6,099,469	$5,606,478	$5,531,863

ANALYSIS OF BONDED DEBT

The State of Oregon Constitution provides for the issuance of general obligation debt for a number of purposes. The State may also issue revenue bonds under various State laws.

General obligation bonds are secured by the full faith and credit of the government and are not deemed a primary obligation of any specific fund of the organization.

Revenue bonds such as the housing revenue bonds are not secured by the full faith and credit of the State nor are the bonds an obligation of the State. They are secured and payable only from the obligations of the mortgage lenders as collaterally secured by approved securities or to first mortgage liens on low income family residential property.

The following summary information is provided for the year ended June 30, 1985 to aid in analysis of State bonded debt.

Analysis of General Obligation Debt.
Summary of Outstanding Debt and Constitutional and Statutory Provisions.
Summary of Oregon State Constitutional Provisions regarding General Obligation Debt.

STATE OF OREGON
GENERAL OBLIGATION DEBT SUMMARY

(Expressed in Whole Dollars)

	JUNE 30,				
	1982	1983	1984	1985	1986
Total General Obligation Debt	$5,673,406,000	$5,893,090,000	$5,617,356,000	$5,535,043,000	$6,376,368,000
Revenue Supported General Obligation Debt	$5,532,547,631	$5,749,380,000	$5,479,246,000	$5,402,845,000	$6,250,433,000
Nonrevenue Supported General Obligation Debt	$142,038,369	$143,710,000	$138,110,000	$132,197,500	$125,935,000
Population[1]	2,656,185	2,635,000	2,660,000	2,660,000	2,675,800
Total Debt per Capita	$2,135.92	$2,236.47	$2,111.88	$2,080.84	$2,382.98
True Cash Value (TCV)	$86,428,611,621	$85,364,563,949	$85,399,676,330	$83,034,800,482	$83,034,800,482
Total Debt as Percent TCV	6.56%	6.90%	6.58%	6.67%	7.68%
Nonrevenue Supported General Obligation Debt per Capita	$53.47	$54.54	$51.92	$49.69	$47.06
Nonrevenue Supported General Obligation Debt as Percent TCV	.16%	.17%	.17%	.16%	.15%
Total Personal Income[2]	$26,527,600,000	$27,078,200,000	$28,535,263,000	$31,055,924,000	$31,055,924,000
Revenue Supported General Obligation Debt as Percent Total Personal Income	20.86%	21.23%	19.20%	17.40%	20.13%
Nonrevenue Supported General Obligation Debt as Percent Total Personal Income	.54%	.53%	.48%	.43%	.41%

---

[1] Population figures are as of July 1 each year, except that no new population figures are available after July 1, 1985. Source: Center for Population Research and Census, Portland State University.

[2] Total personal income is based on calendar year averages of preceding year; this tends to overstate percentages shown. Source: State of Oregon, Department of Human Resources, Employment Division, Information Systems Division. Detailed Components of Personal Income (Microfiche), U.S. Department of Commerce, Bureau of Economic Analysis, August 1984.

STATE OF OREGON
OUTSTANDING DEBT
AND CONSTITUTIONAL AND STATUTORY PROVISIONS[1]
June 30, 1986

(Expressed in Thousands)

PURPOSE/DEPARTMENT	CONSTITU. PROVISION[2]	CONSTITU. DEBT LIMIT[2]	STATUTORY DEBT LIMIT	AMOUNT ISSUED [4]	AMOUNT OUTSTAND.[5]	AUTHORIZA. REMAINING[6]
GENERAL OBLIGATION BONDS						
General Fund:						
Higher Education Facilities	ART XI-G		-	$92,083	$54,845	$ -
Community College & Education Center	ART XI-G	3/4% TCV	-	44,645	32,300	535,690
State Power Development	ART XI-D	1-1/2% TCV	-	-	-	1,245,522
General Purposes [3]	ART XI-Sec 7	$50	-	-	-	50
Oregon Forest Rehabilitation & Reforestation	ART XI-E	3/16% TCV	$ 750/yr	13,350	-	155,690
Partially Self-supporting (30%)						
Oregon Pollution Control	ART XI-H	1% TCV	$ 260,000	187,500	129,300	130,700
Fully Self-Supporting:						
Higher Education Building Projects	ART XI-F[1]	3/4% TCV	-	169,497	83,229	539,532
Oregon State Highway	ART XI-Sec 7	1% TCV	various (see ORS 367)	246,050	33,700	796,648
Irrigation, Drainage and Water Projects	ART XI-I[1]	1-1/2% TCV	-	43,511	24,106	1,221,416
Elderly and Disabled Multi-family Housing	ART XI-I	1/2% TCV	-	99,215	98,005	317,169
Oregon Veterans' Welfare	ART XI-A	8% TCV	-	7,419,403	5,814,203	828,580
Alternate Energy Projects	ART XI-J	1/2% TCV	-	107,825	106,680	308,494
Oregon Pollution Control *(70% Self-Supporting)	*	*	*	*	*	*
Total General Obligation Bonds				$8,423,079	$6,376,368	$6,079,491
REVENUE BONDS						
Board of Forestry Forest Development Financing			$ 500 (ORS 530.140)	-	-	$500
Department of Commerce, Housing Division Single-Family and Project Financing			$1,030,000 (ORS 456.661)	$627,469	$507,870	$522,130
Oregon Mass Transportation Financing Authority (Note)			$ 250,000 (ORS 391.550)	$32,100	$(7)	$250,000
INDUSTRIAL DEVELOPMENT REVENUE BONDS			No Limit			
Economic Development Department (Note)			(ORS 280.310)	$321,292	$257,681	$ -
Short-Term Debt [3]	Art XI-Sec 7	$50		-	-	$50

---

[1] Excludes bonds for these sales.

[2] See page – for a summary of the major provisions.

[3] The State of Oregon may not incur indebtedness exceeding $50 without a constitutional amendment approved by the voters. The General Purposes and/or short-term debt categories both reflect this single limitation.

[4] Includes all issues and advance refunding bonds since each program's inception.

[5] Excludes refunded bonds, and $16,115 million in bonds defeased by the Department of Water Resources.

[6] Based on the January 1, 1985 True Cash Value (TCV) of $83,034,800.

[7] Tri-County Metropolitan Transit District (TRI-MET) advance refunded all OMTFA debt ($29,710) in October 1985 since all then outstanding debt had been issued on TRI-MET's behalf.

* Pollution control bonds are 70% Self-supporting from revenues outside the General Fund. All information regarding Pollution Control bonds' debt limitation is listed in the "General Fund" portion of this table. One limit applies to both self-supporting and nonself-supporting portions.

STATE OF OREGON
Summaries of Oregon State Constitutional Provisions Regarding General Obligation Debt

ARTICLE IX

Section 2 of this Article states that the legislature shall provide for raising enough revenue to defray the expenses of the State for each fiscal year and also to pay the interest on the State debt. Section 3a of this Article restricts the use of gasoline taxes and other highway-user taxes to activities associated with the State's roads, including the retirement of bonds where these taxes have been pledged as the source of revenue. In addition, however, taxes on recreational vehicles may be used to acquire and care for parks and recreation areas. Section 6 requires the legislature to increase taxes to cover deficits occurring in the previous year and estimated expenses for the ensuing year.

ARTICLE XI

Section 7 limits the State's indebtedness for purposes not otherwise provided for in the constitution to $50,000 and for building and maintaining roads to 1% TCV of property in the State. The section does not apply to real property leases up to 20 years entered into by the State for a public purpose.

ARTICLE XI-A

Section 1 of this Article authorizes the State to borrow up to 8% TCV of property in the State to create the Oregon War Veteran's Fund. Section 2 states that bonds of the Oregon War Veteran's Fund shall be a direct obligation of the State. An annual tax of up to 2 mills on all taxable property within the State is allowed by Section 4 as a source of interest and repayment for the bonds. This amount of tax however is limited by Statute to 0.25 mill.

ARTICLE XI-D

This Article estabishes a debt limit of 1.5% TCV of all taxable property in the State to provide primarily for the development of hydroelectric power.

ARTICLE XI-E

This Article establishes a maximum debt limit of 3/16% TCV of all taxable property in the State to provide for the reforestation of land which the State currently owns and that which it may acquire for the purpose of reforestation. Funds generated from the reforested lands must be used to repay any oustanding debt issued under this provision and property taxes are also authorized to assist in repaying this debt. A debt limit of $750,000/year is currently set by statute.

ARTICLE XI-F(1)

Here the constitution provides a debt limit of 3/4 of 1% TCV of all taxable property in the State for higher education building projects. These projects must be wholly self-supporting and self-liquidating from revenues, gifts, grants or building fees. If the projects do not provide enough funds to repay the debt and the interest on the debt, property taxes are allowed.

ARTICLE XI-G

In addition to the debt provisions of Article XI-F(1) this article allows a debt limit of up to 3/4 of 1% TCV for higher education projects (including those of community colleges). Unlike Article XI-F(1), however, these projects cannot be totally self-supporting. Property taxes are allowed to repay this debt and its interest. In addition, any funds spent under this provision must be matched by the legislature from the General Fund.

ARTICLE XI-H

Funds for pollution abatement projects of State and local government agencies may be borrowed under this section, up to 1% TCV of all taxable property in this State. Facilities acquired under this program are required to "conservatively appear" to be at least 70% self-supporting and self-liquidating from revenues, gifts, grants from the Federal Government, user charges, assessments and other fees. Property taxes are provided as a source of additional revenue to support these bonds.

ARTICLE XI-I(1)

Funds for loans to construct water development projects for irrigation and drainage may be borrowed up to 1-1/2% TCV of all the property within the State. Property taxes may be levied to repay this debt if revenues are insufficient.

ARTICLE XI-1(2)

Authorizes funds for additional financing for multifamily housing for elderly and disabled persons. Debt outstanding for this purpose may not exceed 1/2 of 1% TCV of all taxable property in the State. Property taxes may be levied to repay this debt if revenues from loan repayments are insufficient.

ARTICLE XI-J

Authorizes borrowing to provide funds for loans for small scale local energy projects, up to 1/2 of 1% TCV of all taxable property in the State. Property taxes may be levied to repay this debt if revenues from loan repayments are insufficient.

APPROVED BY:

Dave Frohnmayer

ATTORNEY GENERAL, State of Oregon

THE STATE'S ECONOMY

The following information on the state's economy, obtained from sources indicated, may be relevant in evaluating the economic and financial condition and future prospects of the state. The data do not present all factors which may relate to the state's economic and financial affairs and may require economic analysis in order to determine their importance to the state. The data may be subject to differing interpretations depending on the economist or financial analyst consulted.

An Overview

The decade of 1970-1980 was one of sound growth and increasing diversification in the Oregon economy. Most significant was the continuing trend in manufacturing employment away from the cyclical wood products industry and toward high technology enterprises.

Manufacturing employment in the wood products industry has declined from about 58% of the state's total in 1950 to 31.8% in 1985. Over the same period the high technology sector of the economy has grown from about 5,000 employes to 44,300 employes. The latter figure represented about 22.2% of manufacturing employment in 1985, compared with 6.0% in 1973. The shrinking size of lumber employment reflects, in part, an eroding market due to increased competition from the Southern U.S and Canada. This decline is somewhat offset by the growth in other areas including high-technology industries.

A diverse agricultural base contributes to economic diversity. A mild climate, varied topography and rich soil support the more than 82 commodities which reported sales of $1 million or more in 1985. Much of this agricultural activity occurs in the Willamette River Valley in the western portion of the state. This valley also contains most of the state's population and much of the manufacturing activity.

Population and per capita income in Oregon increased at rates significantly above national averages in the last decade. In the late 1970's Oregon's population grew at a rate of two to three times the national average. However, 1981 marked a reversal of this trend as the state registered an increase of only .78% over 1980 while the nation's population grew by 1.00%. While the state's population decreased in 1982 and 1983, a shift from the 1.5 to 5% annual growth experienced since 1972, population rebounded to a new peak in 1985.

Portland, located at the confluence of the Columbia and Willamette Rivers, is Oregon's largest city and the hub of economic activity. The greater Portland area is a highly diversified manufacturing center on the West Coast. It is also the home of the Port of Portland, a significant seaport for trade between the western United States and the Pacific Rim nations. The Port continues to move ahead with its aggressive program of industrial development.

Outside the Willamette Valley, those areas not devoted primarily to agriculture continue to rely somewhat heavily on the wood products industry. This industry's sensitivity to economic fluctuations persists and has resulted in fluctuating levels of employment in rural counties. However, the pulp and paper sector, compared to other elements of the wood products industry, has demonstrated relative strength in recessionary periods. The housing and construction industries were fairly hard hit by downturns in national economic activity experienced in the early 1980s but have grown over the last two years. Increased home building and construction across the nation, along with rebuilding of depleted inventories caused a steady improvement in wood products employment during this period.

Summary of Economic Trends

Oregon's economy grew slowly in the two decades immediately following World War II. In the mid-1960's, however, the state experienced rapid growth as population increased and economic diversification continued. Most impressive during this period was the improvement in economic indices vis-a-vis national figures.

During the period from 1964 to 1974, the real value of goods and services produced in the state increased at an annual rate of 4.5%, compared to a 3.1% average annual expansion from 1950 to 1963. During the 1964-1974 period, Oregon outpaced the mean annual real growth attained by the national economy as a whole. Further, the period from 1970 to 1980 saw an annual real growth rate in Oregon of 4.79% compared to a 3.17% national rate.

With this growth, relative to the United States economy, came corresponding advances in real personal income and employment. This attracted increasing numbers of new residents from other states. From 1970 to 1980, Oregon's population grew 25.9% while the national population experienced growth of 11.1%. About two-thirds of the increase in Oregon was due to net migration.

The decade from 1970 to 1980 accelerated growth in the state. Per capita income increased from 94.1% of the national average in 1970 to 100% from 1976-1979, but dropped to 92.1% in 1983. As noted previously, the period from 1970-80 saw a continuation of the trend toward increasing economic diversity as high technology industries (electrical equipment and supplies, machinery, and instruments) registered rapid employment gains and wood products employment grew slowly through 1979.

Unemployment as a percent of labor force continued to be above the national average in the last decade. However, Oregon's average employment growth outpaced labor force growth, whereas nationally labor force growth exceeded employment growth. Between 1976 and 1985 Oregon's total nonagricultural employment increased 17.1% while population increased 12.1%. In 1985, both population and the numbers of persons employed increased slightly.

Oregon remains slightly more sensitive to economic cycles than the national average due to the forest products component of its economy. Although recessionary periods continued to be somewhat more pronounced in Oregon than in the nation as a whole, the state's economy generally out performed the national economy in the decade 1970-1980. Until 1981, gross product, population and employment grew at a rate about double that of the United States, while unemployment and inflation were generally above national averages.

The high interest rates experienced early in this decade had a significant impact on certain sectors of the Oregon economy. The recession-sensitive wood products, housing and construction industries were particularly hard hit. Greatest impact was experienced in the rural counties of eastern and southern Oregon which depend on one or a combination of these industries. In urban areas generally, and Portland in particular, the diverse economic base has provided a measure of insulation from the impacts of the recession. While economic activity has slowed in those areas, unemployment remains below the national average.

Tourism has been strong throughout the 1980's, due in part to the plentiful supplies of relatively low-cost automobile fuel. In 1985, Oregon's lumber industry remains subdued and is undergoing a permanent restructuring due to high cost structures, excess production capacity and competition from the Southern United States and Canada. The high technology industry in Oregon has recently mirrored a national downturn evidenced by layoffs and excess inventories. These negative factors are expected to be temporary. The state has made a commitment to greater diversification of the economy. The decline in the relative importance of wood products is expected to continue as the state pursues greater foreign trade in the considerable markets of the Far East and other Pacific Rim nations.

Gross State Product

For the year 1984, Oregon's Gross State Product (GSP), calculated in 1982 constant dollars, was approximately $33 billion, representing an increase of 23.5% over the 1975 level. Exhibit 2 shows the distribution of GSP by major Standard Industrial Classification (SIC) from 1975 to 1984. The sectors showing rapid growth in GSP share in this period were instruments, electrical machinery and machinery. These sectors contributed 2.7% to GSP in 1975 and 4.9% in 1984. The State's largest employer, Tektronix, Inc., was reclassified from electrical equipment and supplies manufacturing to instruments and related products manufacturing beginning in 1975. Nonmanufacturing activity increased from 61.9% in 1975 to 62.4% in 1984 of GSP over the period. Government modesty declined from 13.6% of GSP in 1975 to 11.0% in 1984.

Employment and Unemployment

Nonagricultural Employment Trends

Total nonagricultural wage and salary employment in Oregon rose from 878,500 in 1976 to 1,029,000 in 1985, an increase of 17.1%. By major industry sector, nonmanufacturing increased more rapidly than manufacturing during this period. Nonmanufacturing employment increased 21.1% while manufacturing employment increased by 3.2%. Although peak 1979 levels have not been regained, in most industries, 1984 and 1985 returned to prerecession employment levels of greater than 1 million persons. The discussion of employment trends by sector is based on data compiled by Standard Industrial Classification (SIC) codes. Exhibit 3 presents Oregon nonagricultural wage and salary employment since 1976. Exhibit 4 compares Oregon and U. S. nonagricultural employment in 1985.

Manufacturing Employment Trends

The major trend which appeared in manufacturing employment in Oregon from 1976 to 1985 was the increasing diversification of the economy and decreasing dependence on lumber and wood products as the primary industry. Since 1950, lumber and wood manufacturing employment's share of total manufacturing employment has dropped from about 58% to about 31.8%.

The manufacturing of durable goods has consistently comprised a larger segment of manufacturing employment than nondurable goods. In the period from 1976 to 1985, durable goods have remained at 71-74% of

EXHIBIT 2

OREGON GROSS STATE PRODUCT BY INDUSTRY, 1975-84*
(In Millions of 1982 Constant Dollars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Gross State Product(1)	$27,270	$29,361	$31,293	$33,670	$33,895	$33,953	$32,660	$30,725	$31,576	$33,684
Farm	883	883	801	723	756	933	934	950	946	895
Manufacturing	5,778	6,433	6,819	7,314	7,8[illegible]	7,594	7,130	6,446	6,870	7,735
Durable Goods	4,359	4,875	5,183	5,634	6,044	5,814	5,325	4,600	4,969	5,769
Lumber & Wood	2,438	2,782	2,840	2,879	3,069	2,851	2,469	2,036	2,330	2,695
Furniture	59	64	69	76	67	58	56	53	57	67
Primary Metal	341	342	374	424	437	455	444	329	339	421
Fabricated Metals	284	319	364	415	436	415	371	322	349	385
Machinery	363	386	459	523	585	605	636	592	651	749
Electrical Equipment	67	76	88	141	211	270	283	288	312	404
Transportation Equipment	223	193	183	239	221	211	169	155	111	141
Motor Vehicles	106	184	182	221	226	160	143	117	173	214
Stone, Clay, Glass	106	125	128	148	162	164	134	114	115	111
Instruments	316	345	423	509	574	573	551	527	465	504
Miscellaneous	54	60	63	61	57	51	70	68	66	78
Nondurable Goods	1,419	1,558	1,636	1,680	1,822	1,780	1,805	1,846	1,901	1,966
Food & Kindred	611	648	565	670	724	739	761	801	787	775
Textile Mill	49	52	56	52	40	38	36	37	36	38
Apparel	33	38	44	46	54	53	49	47	49	53
Paper & Allied	358	411	421	407	485	460	461	487	506	548
Printing & Publishing	176	199	238	262	280	278	290	282	301	314
Chemicals	100	110	105	109	105	91	94	91	102	107
Petroleum	26	33	36	42	67	55	45	38	41	41
Rubber	63	63	76	88	60	58	63	58	67	80
Leather	4	4	5	5	6	7	5	7	10	10
Nonmanufacturing	16,887	18,176	19,822	21,650	21,016	21,173	20,327	19,222	19,699	21,021
Agricultural Services	142	160	170	221	237	238	219	207	223	228
Mining	252	209	236	295	280	243	205	162	158	155
Construction	1,663	1,855	2,110	2,372	2,424	2,103	1,542	1,156	1,108	1,168
Transportation & Public Utilities	2,749	2,931	3,114	3,307	3,139	3,250	3,233	3,153	3,320	3,605
Wholesale Trade	2,213	2,318	2,539	2,762	2,924	2,841	2,733	2,473	2,448	2,662
Retail Trade	2,980	3,261	3,523	3,779	3,597	3,495	3,442	3,432	3,568	3,781
Financial, Insurance, Real Estate	3,511	3,793	4,215	4,689	4,281	4,511	4,424	4,295	4,291	4,343
Services	3,376	3,648	3,914	4,224	4,134	4,492	4,527	4,344	4,584	5,080
Government	3,723	3,870	3,850	3,983	4,257	4,254	4,269	4,108	4,061	4,033
Federal	984	991	896	937	1,068	1,082	1,045	1,021	1,037	1,047
State & Local	2,739	2,879	2,955	3,046	3,189	3,172	3,224	3,087	3,024	2,986

---

(1) Industrial Classification is according to the 1972 Standard Industrial Classification (SIC) Manual.
* Preliminary Data
Source: Oregon Economic Development Department, Business Information Division.

EXHIBIT 3

OREGON NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT (1)
CALENDAR YEARS AVERAGES
1972 STANDARD INDUSTRIAL CLASSIFICATION
(Numbers in Thousands)(2)
(Not seasonally adjusted)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Total All Industries	$878.5	$936.9	$1,009.4	$1,056.2	$1,044.6	$1,018.4	$960.8	$966.7	$1,006.9	$1,029.0
Manufacturing	193.7	206.1	219.1	228.5	215.1	202.7	185.7	188.8	201.1	199.9
Durable Goods	142.4	152.1	165.1	171.8	159.6	148.4	132.7	135.1	146.7	145.3
Lumber and Wood Products	76.4	79.4	81.4	81.2	69.5	63.8	55.6	62.6	66.7	63.5
Logging and Sawmills	39.7	40.8	41.4	41.9	36.9	33.0	29.1	32.8	35.4	33.2
Veneer and Plywood	23.7	24.3	24.5	24.3	20.5	19.0	16.7	17.7	17.6	16.3
Millwork and Structural Wood	6.7	7.3	8.0	7.7	6.2	6.1	5.2	7.2	8.2	8.8
Mobile Homes	2.1	2.6	3.0	3.0	2.1	1.9	1.3	1.5	1.7	1.5
Other Wood Products	4.2	4.4	4.5	4.3	3.8	3.8	3.3	3.5	3.8	3.8
Furniture and Fixtures	2.9	3.1	3.2	2.9	2.6	2.5	2.2	2.4	2.7	2.7
Stone, Clay and Glass Products	3.6	3.8	4.0	4.4	4.5	3.9	3.4	3.0	2.7	3.0
Primary Metals	9.3	9.7	10.4	11.1	11.0	10.2	8.1	7.5	9.1	8.8
Fabricated Metals	10.3	11.7	13.2	13.7	12.7	11.2	9.8	9.4	10.4	11.1
Machinery	11.7	13.5	15.4	17.3	17.7	18.0	16.5	15.2	15.9	15.7
Electrical Equipment and Supplies	3.9	4.6	6.1	8.6	9.8	10.0	10.1	10.7	13.8	14.1
Transportation Equipment	9.5	9.9	12.0	12.2	10.3	8.9	7.9	7.1	8.5	9.4
Instruments and Related Products	12.6	14.2	17.1	18.2	19.3	17.4	16.8	14.8	14.4	14.5
Miscellaneous Manufacturing	2.2	2.2	2.3	2.2	2.2	2.5	2.3	2.3	2.6	2.5
Nondurable Goods	51.3	54.0	54.0	56.7	55.5	54.3	53.0	53.8	54.5	54.6
Food and Kindred Products	22.9	24.1	24.4	25.2	24.3	23.8	23.7	24.2	24.1	24.1
Textile Mill Products	2.2	2.1	2.2	2.2	2.0	1.8	1.8	1.7	1.7	1.7
Apparel	3.5	3.4	3.4	3.5	3.2	2.8	2.7	2.6	2.8	2.4
Paper and Allied Products	9.8	10.4	8.8	9.8	10.4	10.3	9.6	9.3	9.0	9.2
Printing and Publishing	8.2	8.8	9.5	10.0	10.0	10.2	10.0	10.4	11.0	11.5
Chemicals and Allied Products	2.2	2.3	2.4	2.4	2.3	2.2	2.1	2.2	2.0	1.9
Petroleum Refining	0.5	0.5	0.6	0.7	0.6	0.5	0.5	0.5	0.5	0.4
Rubber and Plastic Products	1.8	2.1	2.4	2.6	2.4	2.4	2.3	2.5	2.8	3.1
Leather Products	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.5	0.5
Nonmanufacturing	684.8	730.8	790.3	827.7	829.5	815.7	775.1	779.1	805.8	829.1
Mining and Quarrying	1.5	1.8	2.2	2.4	2.3	2.2	1.8	1.6	1.6	1.6
Contract Construction	36.6	42.6	48.8	53.0	46.5	37.5	28.9	27.0	30.2	32.1
Transportation, Comm. and Utilities	51.2	53.7	56.9	60.0	60.5	59.3	56.7	55.4	57.1	58.0
Transportation	31.6	32.9	34.6	36.0	35.4	34.1	31.9	32.0	34.3	36.1
Communications	12.5	13.3	14.5	15.8	16.3	16.1	15.9	14.8	14.2	13.3
Utilities	7.1	7.5	7.8	8.2	8.8	9.1	8.9	8.7	8.6	8.6
Trade	210.9	225.7	245.6	256.6	255.6	253.5	238.7	242.6	253.0	258.8
Wholesale	55.0	58.5	63.2	67.0	67.4	67.0	62.7	62.6	64.5	66.4
Retail	155.9	167.2	182.4	189.8	188.2	186.5	176.0	180.0	188.4	192.4
Finance, Insurance, and Real Estate	51.9	57.6	64.2	69.1	70.0	68.5	64.9	64.5	65.4	66.9
Services	151.1	162.6	175.5	185.7	191.4	192.1	188.6	194.6	204.5	214.5
Government	181.6	186.8	197.1	200.7	203.2	202.6	195.5	192.3	194.1	197.1
Federal	27.4	27.7	29.1	29.9	30.8	29.5	29.1	29.0	29.3	28.9
State	51.0	52.1	53.6	54.4	55.3	53.1	50.8	51.7	52.3	53.7
Local	103.2	107.0	114.4	116.4	117.1	120.0	115.6	111.5	112.5	114.5

---

(1) Includes full and part-time nonfarm wage and salary workers. Job totals are on a place of work basis and are not adjusted for multiple job holders. Data are thus not directly comparable to total employment data given elsewhere in this publication.

(2) Excludes 100 or more workers involved in labor management disputes.

Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.

EXHIBIT 4

COMPARATIVE NONAGRICULTURAL EMPLOYMENT, 1985

	Oregon			U.S.		
	Employment (In thousands)	Percent Total Manufacturing Employment	Percent of Total Nonagricultural Employment	Employment (In thousands)	Percent of Total Manufacturing Employment	Percent of Total Nonagricultural Employment
Manufacturing	199.9	100.0%	19.4%	19,314	100.0%	19.8%
Durable	145.3	72.7	14.1	11,516	59.6	11.8
Lumber and Wood	63.5	31.8	6.2	700	3.6	0.7
Furniture and Fixtures	2.7	1.4	0.3	493	2.6	0.5
Stone, Clay and Glass	3.0	1.5	0.3	591	3.1	0.6
Metals	19.9	10.0	1.9	2,281	11.8	2.3
High Technology(1)	44.3	22.2	4.3	5,112	26.5	5.2
Transportation Equipment	9.4	4.7	0.9	1,971	10.2	2.0
Miscellaneous Manufacturing	2.5	1.3	0.2	367	1.9	0.4
Nondurable	54.6	27.3	5.3	7,798*	40.4	8.0
Food	24.1	12.1	2.3	1,608	8.3	1.6
Textiles and Apparel	4.1	2.1	0.4	1,829	9.5	1.9
Paper	9.2	4.6	0.9	683	3.5	0.7
Printing and Publishing	11.5	5.8	1.1	1,435	7.4	1.5
Chemicals	1.9	1.0	0.2	1,046	5.4	1.1
Miscellaneous(2)	4.0	2.0	0.4	1,133	5.9	1.2
Contract Construction	32.1	-	3.1	4,687	-	4.8
Mining	1.6	-	0.2	930	-	1.0
Transportation, Communication and Public Utilities	58.0	-	5.6	5,242	-	5.4
Wholesale and Retail Trade	253.0	-	24.6	23,099	-	23.7
Finance, Insurance and Real Estate	66.9	-	6.5	5,953	-	6.1
Services	214.5	-	20.8	21,974	-	22.5
Government	197.1	-	19.2	16,415	-	16.8
Federal	28.9	-	2.8	2,875	-	2.9
State and Local	168.1	-	16.3	13,540	-	13.9
TOTAL	1,029.0			97,614		

---

(1) High Technology includes SIC codes Machinery, Electrical Equipment and Supplies and Instruments.
(2) Miscellaneous includes SIC codes Petroleum Refining, Rubber and Leather.
* Total for Nondurable Manufacturing includes tobacco manufacturing.

Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.

total manufacturing employment, with nondurable goods staying between 25-29% of total manufacturing employment. Recessionary influences reduced manufacturing employment from 1979 peaks in the first years of this decade; however, 1985 showed a 7.6% gain in manufacturing employment over 1982 levels.

The area of manufacturing employment which has shown the greatest increase has been high technology industries including machinery, electrical equipment, instruments and related products. Since 1954 when the industries entered Oregon, growth has been fairly steady, increasing from 12.2% of total manufacturing employment in 1970, to 23.4% in 1982 and declining slightly to 22.2% in 1985.

During 1984, Oregon's economy displayed some exceptionally strong gains. February's wage and salary employment index, for example, a measure that usually moves only a few tenths at a time, increased one point. The February's seasonally adjusted unemployment rate of 8.8% of the labor force, was the first of our months at that level. Employment in the nonmanufacturing sector stood at 87% of the previous peak - the best since 1981. Another milestone was achieved during 1985: for the second year in a row since 1981, the number of Oregonians employed exceeded one million. The 1985 annual unemployment rate of 8.8% was the lowest in five years.

Exhibit 5 lists manufacturing employers with 1,000 or more employes. About one-third of the firms are in the forest products industry.

Durable Goods

Lumber and Wood Products

Forest products, still Oregon's major manufacturing industry, is affected by timber supply and economic conditions affecting the demand for housing nationwide.

Employment in lumber and wood products between 1976 and 1985 showed short-term cyclical fluctuations due primarily to national economic trends rather than availability of timber. Cyclical trends tend to deemphasize the long-term decline that is expected in this sector. The nonagricultural wage and salary employment for lumber and wood products was 76,400 in 1976, peaked at 85,100 in August 1978 and bottomed out at 51,700 in January, 1982. For 1985, employment in the wood products industry averaged 63,500, an increase of 14.2% over the 1982 annual average. Obstacles still remain to full recovery in this industry - primarily high interest rates and transportation costs to southern and eastern markets.

The state estimates that 49% of Oregon is forested and that the value of manufacturing from all forest products in 1981 was over $3.49 billion, down from $5.3 billion in 1979 and $4.5 billion in 1980. The state has over 24.2 million acres of commercial forest land and has ranked first among the states in sales of all forest products since 1938.

Primary and Fabricated Metals

Employment in primary and fabricated metals stood at 19,900 in 1985, only 1.5% above its 1976 levels and down from the 1979 peak of 24,800. Growth in this industry is related to increasing domestic and foreign needs for metal and metal products. Metals industry production requires substantial

EXHIBIT 5

STATE OF OREGON
MANUFACTURING EMPLOYERS
WITH 1,000 OR MORE EMPLOYES

Firm Name	Major Product	Employment (1)
Tektronix, Inc.	Electronic Instruments and Equipment	18,000
Weyerhaeuser Co., Inc.	Lumber and Wood Products	6,825
Roseburg Lumber Co.	Lumber and Wood Products	4,815
Intel Corp.	Semiconductor Integrated Circuits	4,000
Freightliner Corp.	Transportation Equipment	3,782
Boise Cascade Corp.	Lumber, Wood and Paper Products	3,682
Crown-Zellerbach Corp.	Wood and Paper Products	3,067
Bohemia, Inc.	Lumber and Wood Products	2,720
Hewlett-Packard Corp.	Calculators and Computers	2,385
Georgia Pacific Corp.	Lumber, Wood and Paper Products	2,225
Willamette Industries	Lumber and Wood Products	2,130
Medford Corp.	Lumber and Wood Products	2,040
Stayton Canning Co. Co-op	Canned, Frozen Fruits/Vegetables	1,687
Jantzen, Inc.	Textile Products	1,675
Publisher's Paper Company	Wood Products and Paper	1,612
ESCO Corp.	Cast Construction Equipment	1,600
Precision Castparts Corp.	Investment Castings	1,600
White Stag Mfg. Co.	Women's Sportwear	1,500
Nike, Inc.	Administrative Unit for Sportshoe Manufacturer	1,450
Teledyne Wah Chang	Zirconium Castings	1,400
Ore-Ida Foods, Inc.	Frozen Foods	1,200
Floating Point Systems, Inc.	Computer Processing Units	1,100
Omark Industries Inc.	Sawchain and Fabricated Metal Products	1,098
Boeing Inc.	Airframe Structures	1,000

---

(1) Note: Employment figures were reported by the firms, and represent average annual employment during 1983.

Source: Directory of Oregon Manufacturers 1985-86, Oregon Economic Development Department.

amounts of energy and will continue to be affected by energy costs and supply.

High Technology

High technology has been the fastest growing industry group in the manufacturing sector. The strong emergence of high technology industries have broadened the state's industrial base, which in turn strengthened Oregon's resistance to the national economic downturn. Employment in electrical equipment and supplies increased from 3,900 in 1976 to 14,100 in 1985, an increase of 262%. Instruments and related products employment increased by 15% from 12,600 in 1976 to 14,500 in 1985, and employment in machinery manufacturing increased from 11,700 to 15,700 an increase of 34.2% in the same time period. High technology employment showed major gains from 1972 to 1980, when employment gains peaked out. In recent years, these industries have had employment declines; however, 1984 began a reversal of the trend with increases in these sectors. Oregon's largest employer, Tektronix, Inc., is in this industry, which is engaged primarily in the manufacturing electrical measuring instruments and test equipment. The Oregon environment is well-suited to this type of work, which requires a dust-free atmosphere.

Transportation Equipment

Nearly one-sixth of the employes involved in manufacturing transportation equipment in Oregon work for motor home and travel trailer companies. Other significant areas of employment are builders of truck and bus bodies, railroad cars and aircraft parts. After several years of decline during the recession, this sector was restored to 1976 employment levels in 1985 - a 32% increase over 1983. Energy supply and demand have affected this industry as use of mass transit has stabilized and travel trailers become less practical.

Nondurable Goods
Food and Kindred Products

Food and kindred products employment increased from 22,900 in 1976 to a high of 25,200 in 1979, an increase of 10.0%. Since 1979, employment has fluctuated, settling at 24,100 in 1984 and 1985. Food products as a proportion of total manufacturing employment was about 12% in 1985.

Although few job openings are expected on an average annual basis, significant numbers of short-term openings (i.e., less than three months) are available during the year because of the seasonal increase in employment brought about by agricultural harvesting activities.

Paper and Allied Products

During 1976 Oregon employed 9,800 wage and salary workers in the paper and allied products industry. Over the next four years, employment fluctuated between 8,800 and 10,400. Following a 1980 peak of 10,400, employment dropped steadily to 9,000 in 1984 but increased to 9,200 in 1985. Inventory controls plus a glut of newsprint has kept employment needs suppressed.

Favored by growing domestic markets, the long-term outlook for the paper industry nationally is promising. The firms in Oregon producing paper products have demonstrated less sensitivity to cyclical economic trends than the lumber and plywood companies. Demand for paper and paper products remains fairly strong in both the national and international markets.

Printing and Publishing

Employment needs in the publishing and printing industry group increased between 1976 and 1985 from 8,200 to 11,500, a gain of 40.2%. This 1985 total exceeded the previous industry high of 11,000 reached in 1984.

Nonmanufacturing Employment Trends

Nonmanufacturing contains a wide variety of nongoods producing industries which accounted for 78.0% of nonagricultural wage and salary employment in Oregon in 1976, and rose to 80.6% in 1985. The number employed in this sector increased from 684,800 in 1976 to 829,500 in 1980 and in 1985 stood at 829,100. Nearly one-third of all nonmanufacturing employes are in wholesale and retail trade.

Exhibit 6 charts the growth of nonmanufacturing and trade employment between 1976 and 1985 Exhibit 7 compares Oregon and U.S. nonagricultural wage and salary employment for the period 1976 to 1985.

Contract Construction

Long-range employment requirements in contract construction are difficult to project because of the types of variables which affect construction activity. Examples of these variables are the national economy, strike activity, and housing demand.

Employment in this sector grew from 36,600 in 1976 to a high of 53,000 in 1979. Hit hard by recession, contract construction industries reported employment of 32,100 in 1985. Home construction has continued its slow recovery nationwide as interest rates decline.

Transportation, Communications and Public Utilities

Employment in the transportation, communication, and public utilities group rose 13.3% from 51,200 to 58,000 in the period from 1976 to 1985, with a peak of 60,500 in 1980. In 1985 this group comprised 7.0% of nonmanufacturing employment.

Wholesale and Retail Trade

The trade industries grew by 22.7% between 1976 and 1985. Employment rose to 258,800 in 1985, up from 210,900 in 1976. Employment increased in 1985 from 253,000 in 1984, a modest 2.3% gain. During this decade, employment in retail trade rose at a more rapid rate than wholesale trade (23.4% to 20.7%). All trade represented 31.2% of nonmanufacturing employment in 1985 and 25.2% of all nonagricultural wage and salary employment. Retail food stores employment has been strong in the last six years, increasing 23.8% from 23,500 in 1979 to 29,100 in 1985.

Finance, Insurance and Real Estate

Growth in this area was significant between 1972 and 1980. Industry employment peaked at 70,000 in 1980 before falling to 64,500 in 1983. The increase in employment in this sector between 1976 and 1985 was 28.9%. The post-1980 decline can be attributed, in part, to closure of recession weakened real estate offices and mergers of financial institutions. Nineteen eighty-five brought a 3.7% increase over 1983 employment levels.

Services

Service employment grew from 151,100 in 1976 to 214,500 in 1985, an increase of

EXHIBIT 6

STATE OF OREGON
NONMANUFACTURING EMPLOYMENT TRENDS
1976-1985

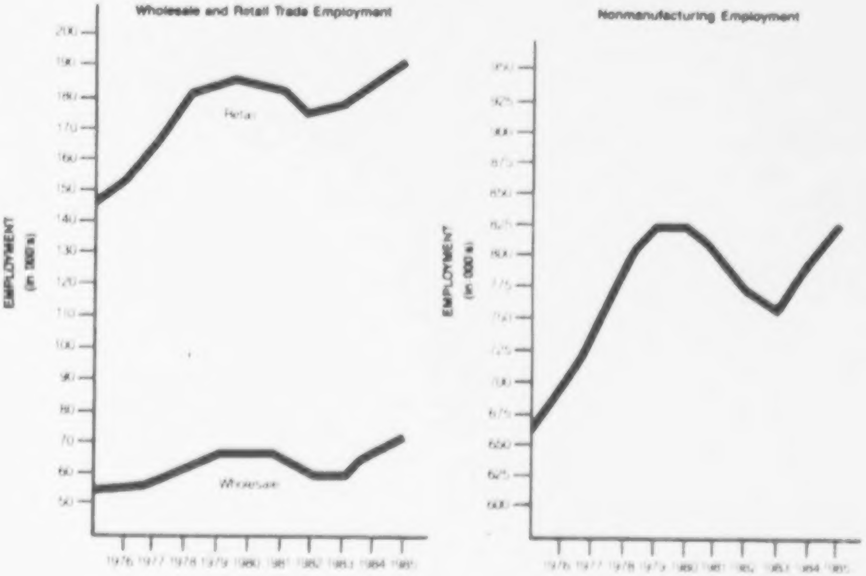


EXHIBIT 7

COMPARATIVE INDEXED NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

Year	Oregon Data (000) Annual Average	Oregon Data (000) Index(1)	National Data (000) Annual Average	National Data (000) Index(1)
1973	816.2	87.1	76,790	93.1
1974	837.9	89.4	78,265	94.9
1975	837.4	89.4	76,945	93.3
1976	878.5	93.8	79,382	96.3
1977	936.9	100.0	82,471	100.0
1978	1,009.4	107.7	86,697	105.1
1979	1,056.2	112.7	89,823	108.9
1980	1,044.6	111.5	90,406	109.6
1981	1,018.4	108.8	91,156	110.5
1982	960.8	102.6	89,566	108.6
1983	966.7	103.2	90,196	109.4
1984	1,006.9	107.5	94,461	114.5
1985	1,029.0	109.8	97,614	118.4

---

(1) The index is based on the 1977 annual average. Using 100 as the base, the index is determined by dividing the annual average for the current period by the annual average for 1977.

*Preliminary Data

Source: Oregon Department of Human Resources, Employment Division.

42.0%. This area comprises 25.9% of nonmanufacturing employment.

Growth in employment in this industry group results primarily from increases in population, disposable income and a growing demand for personal, business, medical and protective services. Gains have also been made in private education and amusements. Employment in health services has shown a 16.3% increase from 1979 employment of 59,600 to 1985 employment of 69,300.

Government

Most government employment in the state is with state and local governments. The federal government employed 28,900 persons in Oregon in 1985, an increase of 5.5% over 1976 levels, but below peak employment of 30,800 in 1980.

State employment also reached its highest level in 1980 at 55,300 but declined to 50,800 in 1982 before rising back to 53,700 in 1985. The state's employment change over the 1976-1985 period was +5.3%. Greatest growth occurred at the local level where employment rose from 103,200 in 1976 to 114,500 in 1985 - an increase of 10.9%. The 1979 Legislative Assembly enacted a law limiting state government employment to not more than 1.6% of the state's official population. However, certain employe groups are exempt from this limitation.

Exhibit 8 compares 1985 manufacturing employment in Oregon to the United States by type of industry.

Exhibit 9 summarizes employment and unemployment data as compared to the United States for 1970 through May 1986.

Economic Characteristics

Agriculture

Agriculture is Oregon's second leading industry, with gross farm sales of over $1.81 billion in 1985. Oregon's highly diversified agricultural base reported 82 commodities with sales of $1 million or more in 1985. Of this number, 35 reported gross sales of $10 million or more. This diversity is facilitated by the state's varied topography, rich soil and moderate climate.

Oregon agriculture continues to follow the national trend of increasing capital intensity. Agricultural employment has been decreasing as constant dollar output has increased. Although every county in the state is involved in agricultural production, activity is concentrated in the fertile Willamette Valley. Recent agricultural expansion has been the result of more efficient methods and increased use of irrigation.

The top ten cash commodities for 1985 were: cattle and calves, $271.7 million; wheat, $183.4 million; dairy, $191.8 million; nursery crops, $106.7 million; potatoes, $86.4 million; alfalfa hay, $61.4 million; farm forest products, $61.3 million; Christmas trees, $43.5 million; eggs, $45.5 million and pears, $49.6 million. A description of farm cash receipts by general commodity group since 1980 is provided in Exhibit 10.

Housing

The Oregon housing industry has typically mirrored that of the nation as a whole in that it is subject to cyclical downturns. The problems for Oregon's market in this past recession were compounded by high

EXHIBIT 8

COMPARATIVE MANUFACTURING EMPLOYMENT, 1985

Manufacturing By Industry	Oregon Employment (In thousands)	Oregon Percent of Total Manufacturing	U.S. Employment (In thousands)	U.S. Percent of Total Manufacturing
Lumber and Wood	63.5	31.8%	700	3.6%
Furniture and Fixtures	2.7	1.3	493	2.6
Stone, Clay and Glass	3.0	1.5	591	3.1
Primary Metals	8.8	4.4	813	4.2
Fabricated Metals	11.1	5.6	1,468	7.6
Machinery	15.7	7.9	2,182	11.3
Electrical Equipment and Supplies	14.1	7.1	2,207	11.4
Transportation Equipment	9.4	4.7	1,971	10.2
Instruments	14.5	7.3	723	3.7
Miscellaneous Manufacturing	2.5	1.3	367	1.9
Food	24.1	12.1	1,608	8.3
Tobacco	0	0	65	0.3
Textiles	1.7	0.9	704	3.6
Apparel	2.4	1.2	1,125	5.8
Paper	9.2	4.6	683	3.5
Printing and Publishing	11.5	5.8	1,435	7.4
Chemicals	1.9	0.9	1,046	5.4
Petroleum Refining	0.4	0.2	178	0.9
Rubber	3.1	1.5	790	4.1
Leather	0.5	0.2	166	0.9
Total	199.9	100.0%	19,314	100.0%

Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.
Note: Columns may not add to 100 due to rounding.

EXHIBIT 9

COMPARATIVE
EMPLOYMENT AND UNEMPLOYMENT RATES*
(ANNUAL AVERAGES, IN THOUSANDS)

Date	Civilian Labor Force OR	Civilian Labor Force U.S.	Unemployed OR	Unemployed U.S.	Unemployed Rate OR	Unemployed Rate U.S.	Oregon Rate as % of U.S. Rate
1970	865	82,771	62	4,093	7.1%	4.9%	144.9%
1971	903	84,382	68	5,016	7.6	5.9	128.8
1972	959	87,034	66	4,882	6.8	5.6	121.4
1973	1,001	89,429	62	4,365	6.2	4.9	126.5
1974	1,015	91,949	76	5,156	7.5	5.6	133.9
1975	1,039	93,775	110	7,929	10.6	8.5	124.7
1976	1,068	96,158	102	7,406	9.6	7.7	124.7
1977	1,130	99,009	83	6,991	7.3	7.1	102.8
1978	1,196	102,251	72	6,202	6.0	6.1	98.4
1979	1,217	104,962	83	6,137	6.8	5.8	117.2
1980	1,295	106,940	105	7,637	8.3	7.1	116.9
1981	1,337	108,670	132	8,273	9.9	7.6	130.3
1982	1,324	110,204	153	10,678	11.5	9.7	118.6
1983	1,341	111,550	145	10,717	10.8	9.6	112.5
1984	1,335	113,544	125	8,539	9.4	7.5	125.3
1985	1,327	115,461	117	8,312	8.8	7.2	122.2
January, 1986(1)	1,328	115,431	123	8,472	8.0	6.7	119.4
February	1,329	115,725	129	9,041	8.7	7.3	119.2
March	1,324	116,309	129	8,667	9.0	7.2	125.0
April	1,325	116,317	127	8,115	9.0	7.1	126.8
May	1,326	117,199	122	8,158	9.1	7.3	124.7
June	1,359	119,644	121	8,775	9.4	7.1	132.4

---

(1) 1986 Preliminary Data
* Monthly rates reflect seasonal adjustment. Source: State of Oregon, Department of Human Resources, Employment Division.

EXHIBIT 10

OREGON GROSS FARM SALES

	Value (Millions of dollars)						1985 % of Total
Commodity	1980	1981	1982	1983	1984	1985	Value
ALL CROPS	$1,102.6	$1,136.9	$1,076.5	$1,151.5	$1,178.2	$1,188.6	65.5%
Grains	336.8	328.3	294.2	299.2	288.1	240.4	13.2
Hay and Silage	63.3	55.2	69.4	80.9	79.4	79.1	4.3
Grass and Legume Seeds	102.1	106.4	101.0	105.1	95.2	121.1	6.7
Field Crops	155.2	163.3	145.4	169.3	180.3	166.9	9.2
Tree Fruits and Nuts	98.7	96.5	98.2	89.5	86.1	125.1	6.9
Small Fruits and Berries	31.5	35.5	47.8	52.7	44.4	52.1	2.9
All Vegetable Crops	114.0	139.6	118.2	125.6	144.4	127.1	7.0
Specialty Products	201.1	212.2	202.2	229.0	260.4	276.8	15.3
ALL LIVESTOCK AND PRODUCTS	560.8	598.0	657.0	579.2	639.8	625.7	34.5
Cattle and Calves	290.0	295.0	354.3	275.0	320.0	271.7	15.0
Dairy Products	151.5	166.8	178.5	188.0	179.4	191.9	10.5
Eggs and Poultry	61.3	70.1	63.1	57.8	62.3	83.1	4.6
Miscellaneous Animals	58.0	66.1	61.1	58.4	78.1	79.1	4.4

Source: Oregon State University, Extension Economic Information Office.

EXHIBIT 11

OREGON BUILDING PERMITS(1)

Year	Single-Family Dwellings	Percent Change	Multi-Family Dwellings	Percent Change
1973	13,153	-7.5%	9,639	-40.2%
1974	10,732	-18.4	4,739	-50.8
1975	14,527	+35.4	5,617	+18.5
1976	20,505	+41.2	10,687	+90.3
1977	25,986	+26.7	13,506	+26.4
1978	25,316	-2.6	12,901	-4.5
1979	17,426	-31.2	10,162	-21.2
1980	13,525	-22.4	5,651	-44.4
1981	8,016	-40.7	4,102	-27.4
1982	4,881	-39.1	2,470	-39.8
1983	6,759	+38.5	1,634	-33.8
1984	6,244	-7.6	1,940	+18.7
1985	6,559	+5.0	5,001	+257.8

Source: State of Oregon, Department of Commerce, Housing Division

(1) Effective in 1983, data reflect an adjustment to account for nonreported building activity. This adjustment factor is approximately 2%.

interest rates, which limited the bond issuances of the state's Department of Veterans' Affairs. In periods of more moderate interest rates, the DVA is one of the state's most active mortgage lenders. The DVA's inability to market bonds at rates attractive to qualifying veteran borrowers contributed to a negative situation in the state housing industry for two years. Conditions appear favorable for a continued housing recovery through the end of the year.

Exhibit 11 summarizes the annual totals for building permit activity since 1973.

Population

Oregon's July 1, 1985 population was determined to be 2,675,800 by Portland State University's Center for Population Research and Census, the state's official bureau for population data. Since 1960, the state's population has increased by over 50%. In 1984, the Center projected a likely population of 3,293,656 in the year 2000, an increase of about 25% over the twenty year period starting in 1980.

Based on percent change (25.9% from April 1, 1970 to April 1, 1980). Oregon ranked thirteenth among the states in rate of population growth. In 1977 and 1978, Oregon recorded population increases of more than three times the national average. In 1981 this trend was reversed as Oregon grew by only .78% compared to the national rate of 1.00%. From July 1, 1981 to July 1, 1983, the state's population dropped .97%, with a net outmigration of 64,589. The population estimates for 1985 show that the state has reversed this outmigration and is again growing - by 1.5% over 1983.

There are four major urban population areas in Oregon. The City of Portland, located in Multnomah County, is the state's largest city and had a population of 379,000 as of July 1, 1985. The Oregon portion of the Portland Consolidated Metropolitan Statistical Area (CMSA), which is comprised of Clackamas, Multnomah, Washington, and Yamhill counties had a population of 1,135,600 at that time (not included in that figure is Clark County, Washington, which is a part of the Portland CMSA).

The second largest urban center is the Eugene metropolitan area located in Lane County at the southern end of the Willamette Valley. Eugene had a population of 106,100 as of July 1, 1985. The Eugene-Springfield MSA had a population of 269,500 on that date. Salem, the state's third largest city, had a population of 94,600 on July 1, 1985 (MSA: 258,050). Salem, situated in the heart of the Willamette Valley, is the State capital. In addition, the City of Medford, and Jackson County, were designated as a new MSA as a result of the 1980 Census. The population of the Medford MSA as of July 1, 1985 was 137,900.

As can be seen from this description of population distribution, most of the state's residents are located in the Willamette Valley. Approximately 70% of Oregon's population reside in this valley.

Exhibit 12 presents comparative population information for Oregon and the United States between 1940 and 1985.

Personal Income

Per capita personal income as a percentage of the national average rose steadily in the last decade from 94.1% in 1970 to 101.1% in 1978. The average increase in

EXHIBIT 12

COMPARATIVE
POPULATION GROWTH
OREGON AND UNITED STATES, 1940-1985
(As of July 1)

Year	Oregon	% Change	United States	% Change
1940	1,090,000	-	132,165,000	-
1950	1,521,000	39.54%	151,326,000	14.50%
1960	1,769,000	16.31	179,323,000	18.50
1970	2,091,500	18.23	203,984,000	13.75
1980	2,639,915	26.22	227,738,000	11.64
1981	2,660,735	0.78	230,019,000	1.00
1982	2,656,185	-0.17	232,309,000	0.99
1983	2,635,000	-0.80	234,496,000	0.94
1984	2,660,000	0.95	236,634,000	0.91
1985	2,675,800	1.52	238,816,000	0.92

Sources: 1940-1960 - State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.
1970-1985 - Center for Population Research, Portland State University (estimates are as of July 1 of year shown.)

EXHIBIT 13

COMPARATIVE
PER CAPITA INCOME
1960-1984
(Current Dollars)

	Portland PMSA	Eugene MSA	Salem MSA	Medford MSA	Oregon	Percent Change	U.S.	Percent Change	Oregon As Percent of U.S.
1960	-	-	-	-	$ 2,218		$ 2,216		100.1%
1970	$ 4,241	$ 3,278	$ 3,427	$ 3,156	3,711	67.3%	3,945	79.2%	94.1
1971	4,503	3,549	3,647	3,458	3,956	6.6	4,167	5.6	94.9
1972	4,889	3,932	3,984	3,865	4,346	9.9	4,515	8.4	96.3
1973	5,395	4,401	4,591	4,190	4,835	11.3	5,010	11.0	96.5
1974	5,993	4,759	5,004	4,558	5,334	10.3	5,448	8.7	97.9
1975	6,475	5,128	5,345	4,904	5,723	7.3	5,842	7.2	98.0
1976	7,185	5,847	5,981	5,452	6,368	11.3	6,367	9.0	100.0
1977	7,894	6,640	6,546	6,047	6,998	9.9	6,984	9.7	100.2
1978	8,872	7,388	7,205	6,874	7,860	12.3	7,772	11.3	101.1
1979	9,861	8,089	7,969	7,570	8,682	10.5	8,651	11.3	100.4
1980	10,701	8,415	8,570	8,206	9,319	7.3	9,494	9.7	98.2
1981	11,458	8,959	9,174	8,652	9,959	6.9	10,544	11.1	94.5
1982	11,68[illegible]	9,075	9,527	8,805	10,168	2.1	11,113	5.4	91.7
1983	12,237	9,670	9,987	9,571	10,734	5.6	11,681	5.1	91.9
1984	13,247	10,565	10,838	10,468	11,613	8.2	12,772	9.3	90.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.
N.A.: Information currently not available.

per capita income in Oregon for 1970 through 1979 was 9.87% compared with 9.12% for the United States. In recent years the rate of growth of per capita income in Oregon has slowed to slightly less than the national average.

The Oregon Department of Energy forecasts an average annual real rate of growth of total personal income of 2.5% through the year 2005, and a real per capita average annual rate of increase of about 1.2%. The projected personal income growth rate is down 1.5% from the actual growth rate experienced between 1970 and 1980.

Exhibit 13 shows per capita personal income since 1960 for Oregon, the United States and four of Oregon's Metropolitan Statistical Areas, Portland, Eugene, Salem and Medford.

Exhibit 14 shows total personal income, rates of change, and comparisons to the United States for the period from 1950 to 1984.

Consumer Price Index

Between 1972 and 1980, inflation in the Portland CMSA increased more rapidly than in the nation as a whole. Beginning in 1981, inflation in Portland slowed to an annual average rate less than the nation's; however, in 1985, the Portland rate (3.8%) again exceeded the national rate (3.6%). Exhibit 15 shows the change in CPI since 1970 for the Portland CMSA and the United States.

Energy

State Energy Policy

Historically, the Pacific Northwest energy picture has been dominated by the availability of plentiful, low-cost hydroelectric power. Although electricity is still less expensive in Oregon than in many areas of the country, the last major hydro generating plant on the Columbia River was completed in 1975. National shortages and dependence on imported oil, rapid population growth and increasing energy consumption in the state over the 1970's, and the lack of a comprehensive federal energy program contributed to the state's decision to formulate and implement its own energy policy.

The 1975 Legislature set the framework for Oregon's energy planning with the creation of the Oregon Department of Energy (ODOE), which has the responsibility for implementing and managing the state's energy policy. The policy states:

> Continued growth and demand for nonrenewable energy forms poses a serious and immediate, as well as future, problem. It is essential that future generations not be left a legacy of vanished or depleted resources, resulting in massive environmental, social, and financial impact.
>
> It is the goal of Oregon to promote the efficient use of energy resources and to develop permanently sustainable energy resources.

The Department of Energy has responsibility for energy conservation, renewable resources, energy planning, long-range supply and demand forecasting, energy facility siting, and regulation and monitoring. The 1983 Legislature also directed ODOE to prepare a State Energy Plan every two years.

Oregon's Energy Facility Siting Council has jurisdiction over major energy facilities in Oregon. A Need-for-Power plan was developed in 1981 and again in 1983 to

EXHIBIT 14

COMPARATIVE
PERSONAL INCOME
1950-1984
(Billions of Current Dollars)

Year	Oregon	Percent Change	U.S.	Percent Change	Oregon as % of Total
1950	$ 2.5	-	$ 225.7	-	1.11%
1960	3.9	56.0%	398.8	76.7%	0.98
1970	7.8	100.0	803.9	101.6	0.98
1971	8.5	9.0	861.9	7.2	0.99
1972	9.5	11.8	944.9	9.6	1.01
1973	10.8	13.7	1,058.9	12.1	1.02
1974	12.2	13.0	1,162.2	9.8	1.05
1975	13.3	9.0	1,258.6	8.3	1.06
1976	15.1	13.5	1,385.2	10.1	1.09
1977	17.1	13.2	1,534.7	10.8	1.11
1978	19.7	15.2	1,726.2	12.5	1.14
1979	22.4	13.7	1,942.6	12.5	1.15
1980	24.6	9.8	2,156.7	11.0	1.14
1981	26.6	8.1	2,420.0	12.2	1.09
1982	27.1	1.9	2,575.8	6.4	1.05
1983	28.5	5.2	2,734.1	6.1	1.04
1984	31.1	9.1	3,016.3	10.3	1.03

Source: U.S. Department of Commerce, Bureau of Economic Anlaysis, Regional Economic Information System.

EXHIBIT 15

CONSUMER PRICE INDEX(1)
FOR OREGON AND U.S.
(Annual Averages)
1970-1985

	Portland SMSA		United States	
Year	CPI	Percent Change	CPI	Percent Change
1970	113.2	-	116.3	-
1971	116.1	2.6%	121.3	4.3%
1972	119.5	2.9	125.3	3.3
1973	127.3	6.5	133.1	6.2
1974	142.8	12.2	147.7	11.0
1975	156.5	9.6	161.2	9.1
1976	167.0	6.7	170.5	5.8
1977	180.2	7.9	181.5	6.5
1978	198.4	10.1	195.4	7.7
1979	225.4	13.6	217.4	11.3
1980	255.4	13.3	246.8	13.5
1981	278.2	8.9	272.4	10.4
1982	287.0	3.2	289.1	6.1
1983	290.1	1.1	298.4	3.2
1984	301.0	3.8	311.1	4.3
1985	312.4	3.8	322.2	3.6

(1) The Consumer Price Index is computed using 1967 = 100 as base year. All urban consumers.

Source: U.S. Bureau of Labor Statistics.

reflect new programs and policies adopted by the Legislature and instituted under the Regional Power Act.

On January 1, 1985, ODOE published the State's First Biennial Energy Plan. The State Energy Plan sets forth actions, programs and resources to meet Oregon's long-term energy needs consistent with the State's energy policy. This plan is consistent* with the Northwest Power Planning Council's regional plan and the Need-for-Power standard set by the Energy Facility Siting Council.

The plan includes actions that ODOE intends to take. It also recommends action by the Legislature, local governments and other state and federal agencies.

Regional Energy Policy

In November 1980, Congress passed the Pacific Northwest Electric Power Planning and Conservation Act. The bill establishes a mechanism for planning and financing new energy resources on a regional basis. Substantial funding is provided under the bill to promote conservation and renewable resources throughout the region.

The Act established a Regional Planning Council to develop a regional conservation and electric power supply plan by April, 1983. The eight member council comprises representatives of Idaho, Montana, Oregon, and Washington. The council worked in 1982 to assess the electrical demand of the Northwest and the cost and availability of resources to meet that demand. The Regional Power Act stresses conservation, renewable resources, and cogeneration. The Act directed the Council to complete a program aimed at protecting and enhancing the fish and wildlife along the Columbia River System and increasing water flows to carry the fish down the Columbia to the Pacific Ocean. The Council adopted a 20 year plan on April 27, 1983.

The Council is now working to revise the first plan. A draft of the revised regional plan is anticipated in summer 1985.

Existing Energy Resources
Electricity

The state has a diverse mix of sources of electricity. The state is part of a large regional power system. Some power generated in the state is sold to other states. And, power from other states is used here.

Including shares of major dams on the Columbia and Snake rivers, the state has a total peak capacity of 7693 megawatts (MW) and firm energy generating capability of 3683 average megawatts (AMW). The smaller number is the power that can be counted on year after year, accounting for plant down time and adverse water conditions. An average megawatt is the power generated from one megawatt of capacity over one year.

Hydro is the largest source with 2390 AMW. About 1500 AMW of this is from the four Columbia River dams run by the Corps of Engineers. More than 225 AMW are from the Snake River dams owned by Idaho Power Company.

The remaining hydro are projects on the major state rivers. The Federal government owns 171 AMW of these. Of the rest, PGE owns 213 AMW; PP&L owns 238 AMW; and Eugene Water and Electric Board (EWEB) owns 43 AMW.

Trojan is the only nuclear power plant in the state. It has a capacity of 1080 MW. It is operated by PGE, which owns 67.5% of the plant. BPA has control over 30%. PP&L owns the remaining 2.5%.

Boardman is the only coal plant in the state. It has a capacity of 530 MW. PGE owns 80% of the plant. Idaho Power Co., and a group of electric co-ops each own 10%.

The rest of the state's power resources is combustion turbines. These use oil and natural gas and are used only for peak demand.

The two largest state utilities, PP&L and PGE, own power plants outside the state. Most of these are coal plants.

PP&L owns about 2500 AMW of coal plants. Most of this is from the Jim Bridger, Dave Johnston and Wyodak plants in Wyoming. The rest includes Colstrip 3 in Montana and Centralia in Washington. More than half of the output of these plants is used in Oregon.

PP&L also owns three dams on the Lewis River in Washington, with a total of 172 AMW. It also owns small hydro projects in Washington and California.

PP&L and PGE each have a 10% share (90 AMW) in the now mothballed WNP3 nuclear plant. The plant is part of the Washington Public Power Supply System (WPPSS) nuclear complex.

PGE has only a small part of its resources outside the state. This consists of 98 AMW in the Colstrip 3 project and 22 AMW in the two Centralia units.

Idaho Power Co. and CP National, which together provide less than three percent of Oregon's power, have all their resources outside the state.

The state has 34 publicly-owned utilities (POUs). EWEB is the only one that owns generating projects. A group of co-ops, the Pacific Northwest Generating Co., owns 10% of the Boardman coal plant.

The rest of the POU load is met by BPA. Also, a group of large industrial power users, called the Direct Service Industries (DSI), buy power direct from BPA.

BPA has provided about 35% of Oregon's power. BPA's system is mostly hydro. Power is generated at dams on the Columbia and Snake Rivers. Small projects are at smaller rivers in the region. BPA's system also includes thermal resources. Of these the WNP2 nuclear plant built by WPPSS is the largest. BPA also controls 10% of Trojan and 60% of the power from the N-reactor at Hanford.

If or when they are built, two other WPPSS nuclear plants would provide power for Oregon. WNP1 and WNP3 are 74% and 65% complete. Construction has been halted. There are serious doubts that either will ever be finished. BPA controls 80% of WNP3 and all of WNP1.

Oregon's largest investor-owned utility (IOUs) also buys power from other utilities. The contracts vary in term, amount, delivery timing, and price. The largest are long-term contracts that both PP&L and PGE have with some Washington Public Utility Districts. PGE's contract is for more than 300 AMW of firm power. PP&L's is for about 200 AMW. The power comes from hydro dams on the middle Columbia.

Other contracts include PGE's and PP&L's contract's for power from the N-reactor at Hanford. Also, PP&L and PGE have contracts to get power from the Columbia Storage Power Exchange (CSPE).

Fossil Fuels

Except for recent finds of natural gas, Oregon has no known fossil fuel reserves. Oil products, natural gas, and some coal account for the lion's share of the state's energy diet. Oregon must import almost all of each fuel.

All of our refined oil products are imported. Most such products come from Puget Sound refineries through the Olympic pipeline.

Part of Oregon's oil products come from Salt Lake City through the Chevron pipeline. The rest comes from California. It is shipped by ocean tankers, trucks, and rail.

About half of our natural gas comes from British Columbia under long-term contracts. This is the most costly portion of our gas supply.

Most of the rest comes from the Rocky Mountains and the Southwest states. This source has increased its share of our natural gas over the last five years from about 37% to about 40%.

In 1980, the first production of any type of fossil fuel in this state began. This was from wells near Mist owned by Northwest Natural Gas Co. and two industrial firms. In 1983 these wells produced about 3.5% of state natural gas use. More wells have been added. More are expected in the future.

Little coal is used in the state other than for fueling the Boardman Plant. The bulk of the coal is used by a sugar refining plant and a cement firm. Total coal use in 1983 was 167,000 tons. A small amount of coal is used to heat homes. One hospital uses coal for space and water heating.

All of the coal used in Oregon is imported from Wyoming and Montana.

Renewable Resources

Renewable resources have always been a major part of Oregon's energy supply. Water power has been the backbone of the state's power supply system. Wood and mill waste heat homes and fuel industry.

The energy crisis of the 1970's brought other renewables to the forefront. The shortage sparked new interest in solar, wind, and geothermal by citizens, government, and utilities. Incentive programs, including federal and state tax credits, were enacted to turn this interest into real projects.

Hydro is the state's main source of power. In addition to large dams, citizens and businesses have built 26 projects larger than 100 KW. These have a total peak capacity of more than 110 MW.

Many micro hydro projects (100 KW and less) have an estimated total capacity of about 1 MW.

About 9,000 solar devices have been installed in Oregon since 1979. Most - about 90% - are solar water heaters. A solar water heater can save about half the energy otherwise needed. Of the remaining 10%, most are passive space heating systems. There are a few small photovoltaic systems for homes and water pumping. The total savings of all these solar systems is about 2 AMW. That is equivalent to the annual needs of over 8,000 all-electric homes.

Geothermal provides over 250 billion Btus of energy in Oregon. This is equivalent to the annual needs of over 3,500 all-electric homes. Most is for space heating. A large portion of use is in farming and food products. There is a 2 MW geothermal power plant near Lakeview that is not on line yet.

There are 46 wind projects in the state. Except for two, each is 15 KW or less. The two large projects are at Whiskey Run in Coos County. One is 125 KW and the other 350 KW.

There are 28 cogeneration projects (240 MW) in the state. Almost all are in the forest products industry. Wood wastes typically fuel these projects.

Three more projects are now being built and these will add 34 MW.

Wood waste is also used in industry to provide process steam and direct heat. In 1983, wood residues provided about 12 trillion Btus to the Oregon paper industry. More was used in the lumber and wood products industry. Pulping liquor, a by-product of pulping in the paper industry, is also used to produce steam and heat. In 1983, pulping liquors provided 38 trillion Btus.

Another form of biomass that produces energy is solid waste. A total of eight projects in the state produce biomass with energy content of about 400 billion BTUS. This is equivalent to the annual energy needs of over 5,500 all-electric homes.

Conservation

Conserved energy took on a resource role after the 1973 crisis. Government and utilities saw conservation as the least costly option. Incentive and education programs started in the late 1970s to promote wise energy use.

Most of the programs of the 1970s are still with us. More have been added. These include stringent building codes, incentive programs for energy-efficient new homes, utility and state home weatherization programs, low-interest loan programs, business and residential tax credit programs, commerical audit programs, institutional building programs, and technical assistance programs.

Energy Forecasts

In its First Biennial Energy plan, the Oregon Department of Energy forecasted future energy needs for the state by a complex methodology using end-use analysis and econometric modeling. Forecasts include projections of population, employment, energy intensiveness of manufacturing, income, price, and consumption by sector.

The state's energy use peaked in 1979. Since then, as the result of an oil crisis, higher energy prices, and a lengthy recession, energy use gradually declined through 1983. As the state continues to pull out of the recession, energy use is back on the upswing. Growth in energy use, however, is forecast to be at a much slower rate than in the previous two decades.

Total energy use is projected to grow at an average annual rate of .8% during 1985-2005. Total energy includes electricity, natural gas, oil products, coal, wood for residential space heating, and pulping liquor and hogged fuels in the paper industry. Most of the growth is projected to be in electricity use. Electricty is forecast to grow at an average annual rate of 1.5% for the 20 year period. Collectively, the other energy sources are forecast to grow at the average rate of .6% per year for the period. For total energy, as well as its components, growth is expected to be slightly higher in the first decade than the second.

The residential sector is projected to continue as the sector using most of the state's electricity. It also has the fastest growth rate in demand for electricity. For the period 1985-2005 demand increases at the average annual rate of 1.7%. In contrast, commercial and industrial demand grows at 1.3 and 1.5% per year.

The first Biennial Energy Plan of the Department of Energy is available from the State of Oregon, Department of Energy (503) 378-4040. The Second Biennial Energy Plan will be published January 1, 1987.

Exhibit 16 shows energy consumption by type in Oregon since 1960.

International Trade and Exports

Like other segments of Oregon's economy, geography and natural resources have played a role in the development of the state's international trade activities. The majority of the state's international trade occurs through the Port of Portland, where an efficient system for dealing with a large number of vessels has been developed, including modern grain elevators, cranes, break-bulk and containerized cargo facilities, and ship repair and drydock facilities. Other important ports are located at the coastal cities of Astoria, Newport and Coos Bay. The state has a total of twenty-three port districts - all located on navigable waterways.

The Port of Portland is one of the leading export ports on the West Coast. Grain is the principal export commodity and fiscal 1984's 5.2 million tons set a new record, having increased by 23% over 1983. A new record was set in 1984 for the number of automobiles imported through the Port of Portland, the leading auto import center on the coast. The total tonnage of all items shipped through the Port (excluding grain) was 3,138,699 in 1984, a 23.7% increase over 1983. Passenger traffic at Portland International Airport broke previous records in 1984, rising 4.7% over the year to 4,750,708. Air cargo increased 9.8% to 58,050 tons. The Port also announced a 46% increase in containerized cargo tonnage in 1984 (1.3 million tons), with a record 81,852 containers loaded and 40,917 unloaded. The Oregon Customs District had export surpluses for over 60 years but experienced a negative trade balance in 1985 because of reduced grain shipments and an increase in foreign automobile exports.

The Oregon Customs District (which includes Astoria, Coos Bay, Newport and Portland and the Washington ports of Vancouver, Kalama, and Longview) has had a substantial trade surplus throughout the decade. Both imports and exports have grown significantly in the past ten years. Grains have dominated exports while automobiles are the principal import item. The value of foreign exports from the Portland Customs District set an all-time record of $4.117 billion in 1984, an 11.3% increase over 1983. Likewise, imports into the Customs District achieved the largest increase of record to total $3.628 billion, 27.5% ahead of last year. The goods contributing to this unprecedented surge in exports includes wheat, barley, corn, alfalfa cubes, logs, lumber, paperboard, frozen potatoes, soaps/cleaners, soda ash, and sorghum. On the import side, in addition to automobiles, there were significant increases for electrode pitch, footwear, gasoline, hardware, alumina, and wire. Exhibit 17 presents value of exports

EXHIBIT 16

STATE OF OREGON
CONSUMPTION OF ENERGY BY TYPE 1960-1982
(Trillion BTU)

Year	Coal	Natural Gas (Dry)	Petroleum	Nuclear Power	Hydro-electric Power (1)	Wood and Waste (2)	Sub Total	Electricity Exchanged Across State Borders (3)	Total Energy Consumed
1960	8.9	31.9	227.5	0.0	134.1	0.3	402.7	27.8	430.5
1961	9.4	35.0	228.5	0.0	133.0	0.2	406.1	34.1	440.2
1962	8.8	39.2	237.9	0.0	140.6	0.3	426.8	35.5	462.3
1963	7.5	44.7	246.7	0.0	142.9	0.3	442.1	38.7	480.8
1964	6.8	55.7	266.2	0.0	157.0	-	485.7	49.1	534.8
1965	7.1	57.9	262.3	0.0	172.6	0.3	500.2	46.1	546.3
1966	6.5	67.2	278.3	0.0	174.1	0.5	526.6	59.1	585.7
1967	4.8	72.1	277.0	0.0	186.3	-	540.2	61.9	602.1
1968	3.9	81.7	296.7	0.0	212.6	-	594.9	51.4	646.3
1969	4.0	90.6	310.5	0.0	291.4	-	696.5	-6.9	689.6
1970	3.0	98.2	313.1	0.0	313.9	0.5	728.7	-14.8	713.9
1971	3.4	104.0	331.7	0.0	360.1	0.3	799.5	-41.7	757.8
1972	2.2	113.3	365.8	0.0	378.6	0.6	860.5	-55.5	805.0
1973	2.1	110.1	369.9	0.0	292.4	0.6	775.1	45.6	820.7
1974	3.3	100.4	343.1	0.0	376.0	0.5	823.3	-17.1	806.2
1975	2.7	112.1	328.0	-	359.6	-	802.4	28.4	830.8
1976	5.9	94.3	332.9	23.2	367.0	0.5	823.8	16.0	839.8
1977	5.2	73.9	359.9	69.9	254.5	2.7	766.1	71.1	837.2
1978	4.7	87.5	384.6	17.1	330.6	1.4	825.9	73.6	899.5
1979	4.7	95.4	389.5	47.9	309.2	2.2	848.9	77.8	926.7
1980	12.4	80.6	368.7	58.8	314.0	1.7	836.2	60.0	896.2
1981	26.3	77.5	352.6	70.9	336.2	1.3	864.8	6.3	871.1
1982	12.1	72.7	364.2	52.8	473.5	0.4	975.7	-131.6	844

---

(1) Includes industrial and utility production.
(2) Consumed at utilities to produce electricity.
(3) Imports (export) of electricity to Oregon.
Note: Totals may not equal sum of components due to rounding.
Note: Totals do not include wood derived fuel consumed by the pulp and paper industry which amounted to an estimated 1.0 quadrillion BTU in the United States in 1978. Totals also exclude small quantities of other energy sources for which consistent historical data are not available, such as solar energy obtained by the use of thermal and photovoltaic collectors; wind energy; and geothermal, biomass, and waste energy other than that consumed at the electric utilities.
Source: U.S. Department of Energy, Energy Information Administration, State Energy Data Report, May 1984.

EXHIBIT 17

STATE OF OREGON
OREGON CUSTOMS DISTRICT EXPORTS AND IMPORTS
1970-1985
(Millions of Current Dollars)

Year	Exports	% Change	Imports	% Change	Export Surplus
1970	$ 786.9	+18.2%	$ 382.1	+6.9%	$ 404.8
1971	576.7	-26.7	412.5	+8.0	164.2
1972	791.4	+37.2	484.6	+17.5	306.8
1973	1,697.2	+114.5	605.2	+24.9	1,092.0
1974	2,250.7	+33.1	903.5	+49.3	1,347.2
1975	1,982.2	-12.3	809.0	-10.5	1,173.2
1976	2,134.9	+7.7	1,108.2	+37.0	1,026.7
1977	1,798.3	-15.8	1,551.4	+3.9	246.9
1978	2,414.8	+34.3	2,055.7	+78.5	359.1
1979	3,063.6	+26.9	2,361.8	+14.9	701.8
1980	3,761.4	+22.8	2,623.9	+12.1	1,137.5
1981	3,882.6	+3.2	2,805.6	+6.9	1,077.0
1982	3,316.0	-14.6	2,631.7	-6.2	684.3
1983	3,699.0	+11.6	2,845.0	+8.1	854.0
1984	4,116.9	+11.3	3,627.8	+27.5	489.1
1985	3,460.0	-15.9	3,843.7	+5.9	-383.7

Source: U.S. Department of Commerce, Portland District Office and Oregon Economic Indicators, published by First Interstate Bank of Oregon, N.A.

and imports of the Oregon Customs District from 1970 to 1984. Customs District data do not necessarily represent products of Oregon or having Oregon as final destination and exclude certain air cargos. For 1984, exports and imports show 11.3% and 27.5% increases, respectively.

Tourism

Oregon has many outstanding features which favor development of tourism. The state is noted for protection of its clean environment and natural scenic beauty. Within state boundaries exist major mountain ranges, vast coastal and desert regions, and multi-use and wilderness forest areas. The state has over 400 miles of seacoast, 47,000 miles of streams, 1,400 lakes and reservoirs, 225 state parks and a national park. While summer is traditionally the peak vacation season, tourism contributes all year to the state's economy and is enhanced by a mild, comfortable climate throughout the year and a wide variety of available leisure activities.

Over 12.9 million pleasure travelers were recorded in 1983, an increase of 9.3% over 1982. The average traveler stayed in Oregon 5.6 days in 1983. Despite a weak national economy, out-of-state tourist counts dropped only 1% from 1981 to 1982.

The overall impact of tourism on Oregon's economy is difficult to estimate. Tourism consists of segments of the retail trade, service and transportation industries. The availability and price of motor fuel usually affects the number of out-of-state visitors each year, but the impact of this variable is off-set somewhat by the number of Oregonians choosing to vacation in the state.

By bringing in capital from outside the state, tourism has a significant impact on income and employment levels. The Oregon State Highway Division estimated an increase in tourist expenditures of 11.4% between 1980 and 1981 with a 1981 total of $1.27 billion. In 1983, it was estimated that out-of-state travelers spent $1.6 billion in Oregon, a 10.5% increase over 1982. Favorite spots for travelers are the Oregon Coast, the Portland/Columbia Gorge/Mt. Hood areas, and Southern Oregon.

Post Secondary Education

The Oregon State Board of Higher Education is the governing board for the Oregon State System of Higher Education. Approximately 50,000 students attend the eight institutions composing the system. Enrollment is projected to increase slightly over the next five years. The state operates four universities: the University of Oregon in Eugene, Oregon State University in Corvallis, Portland State University in downtown Portland and the Oregon Health Sciences University which consists of Medical, Dental and Nursing Schools located in Southwest Portland. Other state schools include Eastern Oregon State College, Western Oregon State College, the Oregon Institute of Technology and Southern Oregon State College.

In addition, there are twenty-five independent colleges, fifteen community colleges and various proprietary vocational schools in the state.